

STARBUCKS CORP  
Form 10-Q  
January 31, 2017  
Table of Contents

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 January 1, 2017

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 (IRS Employer  
Incorporation or Organization) Identification No.)

2401 Utah Avenue South, Seattle, Washington 98134

(Address of principal executive offices)

(206) 447-1575

(Registrant's Telephone Number, including Area Code)

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

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

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

Large accelerated filer ☒

Accelerated filer ☐

☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes ☐ No ☒

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

Title Shares Outstanding as of January 25, 2017

Common Stock, par value \$0.001 per share 1,457.4 million

Table of Contents

STARBUCKS CORPORATION

FORM 10-Q

For the Quarterly Period Ended January 1, 2017

Table of Contents

PART I. FINANCIAL INFORMATION

|        |                                                                                              |           |
|--------|----------------------------------------------------------------------------------------------|-----------|
| Item 1 | <u>Financial Statements (Unaudited):</u>                                                     | <u>3</u>  |
|        | <u>Condensed Consolidated Statements of Earnings</u>                                         | <u>3</u>  |
|        | <u>Condensed Consolidated Statements of Comprehensive Income</u>                             | <u>4</u>  |
|        | <u>Condensed Consolidated Balance Sheets</u>                                                 | <u>5</u>  |
|        | <u>Condensed Consolidated Statements of Cash Flows</u>                                       | <u>6</u>  |
|        | <u>Index For Notes to Condensed Consolidated Financial Statements</u>                        | <u>7</u>  |
|        | <u>Notes to Condensed Consolidated Financial Statements</u>                                  | <u>8</u>  |
| Item 2 | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>19</u> |
| Item 3 | <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            | <u>31</u> |
| Item 4 | <u>Controls and Procedures</u>                                                               | <u>31</u> |

PART II. OTHER INFORMATION

|         |                                                                    |           |
|---------|--------------------------------------------------------------------|-----------|
| Item 1  | <u>Legal Proceedings</u>                                           | <u>32</u> |
| Item 1A | <u>Risk Factors</u>                                                | <u>32</u> |
| Item 2  | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>32</u> |
| Item 6  | <u>Exhibits</u>                                                    | <u>33</u> |
|         | <u>Signatures</u>                                                  | <u>34</u> |

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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 data)

(unaudited)

|                                                              | Quarter Ended  |                 |
|--------------------------------------------------------------|----------------|-----------------|
|                                                              | Jan 1,<br>2017 | Dec 27,<br>2015 |
| Net revenues:                                                |                |                 |
| Company-operated stores                                      | \$4,469.3      | \$4,210.6       |
| Licensed stores                                              | 602.4          | 540.6           |
| CPG, foodservice and other                                   | 661.2          | 622.3           |
| Total net revenues                                           | 5,732.9        | 5,373.5         |
| Cost of sales including occupancy costs                      | 2,295.0        | 2,186.2         |
| Store operating expenses                                     | 1,638.2        | 1,506.2         |
| Other operating expenses                                     | 145.4          | 146.2           |
| Depreciation and amortization expenses                       | 249.7          | 235.5           |
| General and administrative expenses                          | 356.4          | 305.5           |
| Total operating expenses                                     | 4,684.7        | 4,379.6         |
| Income from equity investees                                 | 84.4           | 64.1            |
| Operating income                                             | 1,132.6        | 1,058.0         |
| Interest income and other, net                               | 24.1           | 8.1             |
| Interest expense                                             | (23.8 )        | (16.5 )         |
| Earnings before income taxes                                 | 1,132.9        | 1,049.6         |
| Income tax expense                                           | 381.4          | 361.9           |
| Net earnings including noncontrolling interests              | 751.5          | 687.7           |
| Net earnings/(loss) attributable to noncontrolling interests | (0.3 )         | 0.1             |
| Net earnings attributable to Starbucks                       | \$751.8        | \$687.6         |
| Earnings per share - basic                                   | \$0.52         | \$0.46          |
| Earnings per share - diluted                                 | \$0.51         | \$0.46          |
| Weighted average shares outstanding:                         |                |                 |
| Basic                                                        | 1,457.5        | 1,485.9         |
| Diluted                                                      | 1,470.5        | 1,503.3         |
| Cash dividends declared per share                            | \$0.25         | \$0.20          |
| See Notes to Condensed Consolidated Financial Statements.    |                |                 |

Table of Contents

## STARBUCKS CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions, unaudited)

|                                                                                                                                                                | Quarter Ended |              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|--------------|
|                                                                                                                                                                | Jan 1, 2017   | Dec 27, 2015 |
| Net earnings including noncontrolling interests                                                                                                                | \$751.5       | \$687.7      |
| Other comprehensive loss, net of tax:                                                                                                                          |               |              |
| Unrealized holding gains/(losses) on available-for-sale securities                                                                                             | (13.4 )       | 1.0          |
| Tax (expense)/benefit                                                                                                                                          | 4.1           | (0.4 )       |
| Unrealized gains/(losses) on cash flow hedging instruments                                                                                                     | 113.5         | 5.8          |
| Tax (expense)/benefit                                                                                                                                          | (26.5 )       | (2.7 )       |
| Unrealized gains/(losses) on net investment hedging instruments                                                                                                | 41.1          | —            |
| Tax (expense)/benefit                                                                                                                                          | (15.2 )       | —            |
| Translation adjustment and other                                                                                                                               | (171.8 )      | (26.1 )      |
| Tax (expense)/benefit                                                                                                                                          | —             | 1.7          |
| Reclassification adjustment for net (gains)/losses realized in net earnings for available-for-sale securities, hedging instruments, and translation adjustment | (81.7 )       | (7.7 )       |
| Tax expense/(benefit)                                                                                                                                          | 16.0          | 2.7          |
| Other comprehensive loss                                                                                                                                       | (133.9 )      | (25.7 )      |
| Comprehensive income including noncontrolling interests                                                                                                        | 617.6         | 662.0        |
| Comprehensive income/(loss) attributable to noncontrolling interests                                                                                           | (0.3 )        | 0.1          |
| Comprehensive income attributable to Starbucks                                                                                                                 | \$617.9       | \$661.9      |

See Notes to Condensed Consolidated Financial Statements.

Table of ContentsSTARBUCKS CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except per share data)

(unaudited)

|                                                                                                                                 | Jan 1,<br>2017    | Oct 2,<br>2016    |
|---------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>ASSETS</b>                                                                                                                   |                   |                   |
| Current assets:                                                                                                                 |                   |                   |
| Cash and cash equivalents                                                                                                       | \$2,034.6         | \$2,128.8         |
| Short-term investments                                                                                                          | 140.8             | 134.4             |
| Accounts receivable, net                                                                                                        | 865.1             | 768.8             |
| Inventories                                                                                                                     | 1,218.7           | 1,378.5           |
| Prepaid expenses and other current assets                                                                                       | 357.0             | 347.4             |
| Total current assets                                                                                                            | 4,616.2           | 4,757.9           |
| Long-term investments                                                                                                           | 1,278.3           | 1,141.7           |
| Equity and cost investments                                                                                                     | 373.7             | 354.5             |
| Property, plant and equipment, net                                                                                              | 4,478.5           | 4,533.8           |
| Deferred income taxes, net                                                                                                      | 806.1             | 885.4             |
| Other long-term assets                                                                                                          | 394.9             | 403.3             |
| Other intangible assets                                                                                                         | 470.6             | 516.3             |
| Goodwill                                                                                                                        | 1,599.0           | 1,719.6           |
| <b>TOTAL ASSETS</b>                                                                                                             | <b>\$14,017.3</b> | <b>\$14,312.5</b> |
| <b>LIABILITIES AND EQUITY</b>                                                                                                   |                   |                   |
| Current liabilities:                                                                                                            |                   |                   |
| Accounts payable                                                                                                                | \$662.5           | \$730.6           |
| Accrued liabilities                                                                                                             | 1,944.9           | 1,999.1           |
| Insurance reserves                                                                                                              | 211.6             | 246.0             |
| Stored value card liability                                                                                                     | 1,578.3           | 1,171.2           |
| Current portion of long-term debt                                                                                               | —                 | 399.9             |
| Total current liabilities                                                                                                       | 4,397.3           | 4,546.8           |
| Long-term debt                                                                                                                  | 3,185.7           | 3,185.3           |
| Other long-term liabilities                                                                                                     | 631.2             | 689.7             |
| Total liabilities                                                                                                               | 8,214.2           | 8,421.8           |
| Shareholders' equity:                                                                                                           |                   |                   |
| Common stock (\$0.001 par value) — authorized, 2,400.0 shares; issued and outstanding, 1,457.2 and 1,460.5 shares, respectively | 1.5               | 1.5               |
| Additional paid-in capital                                                                                                      | 41.1              | 41.1              |
| Retained earnings                                                                                                               | 5,996.3           | 5,949.8           |
| Accumulated other comprehensive loss                                                                                            | (242.3)           | (108.4)           |
| Total shareholders' equity                                                                                                      | 5,796.6           | 5,884.0           |
| Noncontrolling interests                                                                                                        | 6.5               | 6.7               |
| Total equity                                                                                                                    | 5,803.1           | 5,890.7           |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                                                                             | <b>\$14,017.3</b> | <b>\$14,312.5</b> |

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

STARBUCKS CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (in millions, unaudited)

|                                                                                     | Quarter Ended  |                 |
|-------------------------------------------------------------------------------------|----------------|-----------------|
|                                                                                     | Jan 1,<br>2017 | Dec 27,<br>2015 |
| <b>OPERATING ACTIVITIES:</b>                                                        |                |                 |
| Net earnings including noncontrolling interests                                     | \$751.5        | \$687.7         |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                |                 |
| Depreciation and amortization                                                       | 263.2          | 247.3           |
| Deferred income taxes, net                                                          | 56.4           | 225.2           |
| Income earned from equity method investees                                          | (65.3 )        | (47.0 )         |
| Distributions received from equity method investees                                 | 39.1           | 69.3            |
| Gain resulting from sale of equity in joint venture                                 | —              | (0.6 )          |
| Stock-based compensation                                                            | 55.0           | 57.3            |
| Excess tax benefit on share-based awards                                            | (34.1 )        | (67.2 )         |
| Other                                                                               | 9.3            | 18.0            |
| Cash provided by changes in operating assets and liabilities:                       |                |                 |
| Accounts receivable                                                                 | (128.7 )       | (65.1 )         |
| Inventories                                                                         | 146.4          | 60.6            |
| Accounts payable                                                                    | (34.7 )        | (28.2 )         |
| Stored value card liability                                                         | 425.0          | 468.9           |
| Other operating assets and liabilities                                              | 12.6           | 9.8             |
| Net cash provided by operating activities                                           | 1,495.7        | 1,636.0         |
| <b>INVESTING ACTIVITIES:</b>                                                        |                |                 |
| Purchases of investments                                                            | (323.4 )       | (145.6 )        |
| Sales of investments                                                                | 149.6          | 85.3            |
| Maturities and calls of investments                                                 | 18.1           | 0.8             |
| Additions to property, plant and equipment                                          | (307.4 )       | (331.8 )        |
| Proceeds from sale of equity in joint venture                                       | —              | 30.2            |
| Other                                                                               | 61.6           | 1.0             |
| Net cash used by investing activities                                               | (401.5 )       | (360.1 )        |
| <b>FINANCING ACTIVITIES:</b>                                                        |                |                 |
| Principal payments on long-term debt                                                | (400.0 )       | —               |
| Proceeds from issuance of common stock                                              | 51.2           | 48.4            |
| Excess tax benefit on share-based awards                                            | 34.1           | 67.2            |
| Cash dividends paid                                                                 | (364.0 )       | (297.0 )        |
| Repurchase of common stock                                                          | (408.1 )       | (245.8 )        |
| Minimum tax withholdings on share-based awards                                      | (68.3 )        | (101.3 )        |
| Other                                                                               | 0.1            | (0.2 )          |
| Net cash used by financing activities                                               | (1,155.0 )     | (528.7 )        |
| Effect of exchange rate changes on cash and cash equivalents                        | (33.4 )        | (13.8 )         |
| Net (decrease)/increase in cash and cash equivalents                                | (94.2 )        | 733.4           |
| <b>CASH AND CASH EQUIVALENTS:</b>                                                   |                |                 |
| Beginning of period                                                                 | 2,128.8        | 1,530.1         |
| End of period                                                                       | \$2,034.6      | \$2,263.5       |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                            |                |                 |
| Cash paid during the period for:                                                    |                |                 |
| Interest, net of capitalized interest                                               | \$41.1         | \$34.4          |

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|                              |         |        |
|------------------------------|---------|--------|
| Income taxes, net of refunds | \$270.8 | \$86.7 |
|------------------------------|---------|--------|

See Notes to Condensed Consolidated Financial Statements.

6

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Table of Contents

STARBUCKS CORPORATION

INDEX FOR NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

|         |                                                   |           |
|---------|---------------------------------------------------|-----------|
| Note 1  | <u>Summary of Significant Accounting Policies</u> | <u>8</u>  |
| Note 2  | <u>Acquisitions and Divestitures</u>              | <u>9</u>  |
| Note 3  | <u>Derivative Financial Instruments</u>           | <u>9</u>  |
| Note 4  | <u>Fair Value Measurements</u>                    | <u>12</u> |
| Note 5  | <u>Inventories</u>                                | <u>14</u> |
| Note 6  | <u>Supplemental Balance Sheet Information</u>     | <u>14</u> |
| Note 7  | <u>Debt</u>                                       | <u>15</u> |
| Note 8  | <u>Equity</u>                                     | <u>16</u> |
| Note 9  | <u>Employee Stock Plans</u>                       | <u>17</u> |
| Note 10 | <u>Earnings per Share</u>                         | <u>18</u> |
| Note 11 | <u>Segment Reporting</u>                          | <u>18</u> |

Table of Contents

STARBUCKS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1: Summary of Significant Accounting Policies

Financial Statement Preparation

The unaudited condensed consolidated financial statements as of January 1, 2017, and for the quarters ended January 1, 2017 and December 27, 2015, have been prepared by Starbucks Corporation under the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, the financial information for the quarters ended January 1, 2017 and December 27, 2015 reflects all adjustments and accruals, which are of a normal recurring nature, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. In this Quarterly Report on Form 10-Q ("10-Q"), Starbucks Corporation is referred to as "Starbucks," the "Company," "we," "us" or "our."

The financial information as of October 2, 2016 is derived from our audited consolidated financial statements and notes for the fiscal year ended October 2, 2016 ("fiscal 2016") included in Item 8 in the Fiscal 2016 Annual Report on Form 10-K (the "10-K"). The information included in this 10-Q should be read in conjunction with the footnotes and management's discussion and analysis of the consolidated financial statements in the 10-K.

The results of operations for the quarter ended January 1, 2017 are not necessarily indicative of the results of operations that may be achieved for the entire fiscal year ending October 1, 2017 ("fiscal 2017").

Recent Accounting Pronouncements

In October 2016, the Financial Accounting Standards Board ("FASB") issued guidance on the accounting for income tax effects of intercompany sales or transfers of assets other than inventory. The guidance requires entities to recognize the income tax impact of an intra-entity sale or transfer of an asset other than inventory when the sale or transfer occurs, rather than when the asset has been sold to an outside party. The guidance will require a modified retrospective application with a cumulative catch-up adjustment to opening retained earnings at the beginning of our first quarter of fiscal 2019 but permits adoption in an earlier period. We are currently evaluating the impact this guidance will have on our consolidated financial statements and the timing of adoption.

In June 2016, the FASB issued guidance on the measurement and recognition of credit losses on most financial assets. For trade receivables, loans, and held-to-maturity debt securities, the current probable loss recognition methodology is being replaced by an expected credit loss model. For available-for-sale debt securities, the recognition model on credit losses is generally unchanged, except the losses will be presented as an adjustable allowance. The guidance will be applied retrospectively with the cumulative effect recognized as of the date of adoption. The guidance will become effective at the beginning of our first quarter of fiscal 2021 but can be adopted as early as the beginning of our first quarter of fiscal 2020. We are currently evaluating the impact this guidance will have on our consolidated financial statements and the timing of adoption.

In March 2016, the FASB issued guidance related to stock-based compensation, which changes the accounting and classification of excess tax benefits and minimum tax withholdings on share-based awards. The guidance becomes effective at the beginning of our first quarter of fiscal 2018 but permits adoption in an earlier period. With this adoption, excess tax benefits and tax deficiencies related to stock-based compensation will be prospectively reflected as income tax expense in our consolidated statement of earnings instead of additional paid-in capital on our consolidated balance sheet. Additionally, within our consolidated statement of cash flows, this guidance will require excess tax benefits to be presented as an operating activity, rather than a financing activity, in the same manner as other cash flows related to income taxes. We are currently evaluating the timing and impact of adopting this guidance; however, as a result of the presentation requirements associated with the standard, we expect this adoption to have a significant impact on our consolidated statements of earnings, earnings per share and consolidated statement of cash flows.

In March 2016, the FASB issued guidance for financial liabilities resulting from selling prepaid stored value products that are redeemable at third-party merchants. Under the new guidance, expected breakage amounts associated with these products must be recognized proportionately in earnings as redemption occurs. Our current accounting policy of applying the remote method to all of our stored value cards, including cards redeemable at the third-party licensed

locations, will no longer be allowed. The guidance will become effective at the beginning of our first quarter of fiscal 2019, with the option to adopt in an earlier period. As the guidance and timing of transition are consistent with the new revenue recognition standard issued by the FASB in May 2014 and discussed below, we expect to implement the provisions of both standards in the same period.

In February 2016, the FASB issued guidance on the recognition and measurement of leases. Under the new guidance, lessees are required to recognize a lease liability, which represents the discounted obligation to make future minimum lease payments, and a corresponding right-of-use asset on the balance sheet for most leases. The guidance retains the current accounting for

## Table of Contents

lessors and does not make significant changes to the recognition, measurement, and presentation of expenses and cash flows by a lessee. Enhanced disclosures will also be required to give financial statement users the ability to assess the amount, timing and uncertainty of cash flows arising from leases. The guidance will require modified retrospective application at the beginning of our first quarter of fiscal 2020, with optional practical expedients, but permits adoption in an earlier period. We are currently evaluating the impact this guidance will have on our consolidated financial statements. We expect this adoption will result in a material increase in the assets and liabilities on our consolidated balance sheets and will likely have an insignificant impact on our consolidated statements of earnings.

In January 2016, the FASB issued guidance on the recognition and measurement of financial instruments. This guidance retains the current accounting for classifying and measuring investments in debt securities and loans, but requires equity investments to be measured at fair value with subsequent changes recognized in net income, except for those accounted for under the equity method or requiring consolidation. The guidance also changes the accounting for investments without a readily determinable fair value and that do not qualify for the practical expedient to estimate fair value. A policy election can be made for these investments whereby estimated fair value may be measured at cost and adjusted in subsequent periods for any impairment or changes in observable prices of identical or similar investments. The new guidance will result in a cumulative effect adjustment recognized in our balance sheet and will become effective for us at the beginning of our first quarter of fiscal 2019. We are currently evaluating the impact of this guidance.

In April 2015, the FASB issued guidance on the financial statement presentation of debt issuance costs. This guidance requires these costs to be presented in the balance sheet as a reduction of the related debt liability rather than as an asset. We retrospectively adopted this guidance in the first quarter of fiscal 2017, which resulted in the reclassification of \$17.0 million of debt issuance costs previously presented in prepaid expenses and other current assets and other long-term assets to long-term debt in our consolidated balance sheet as of October 2, 2016. Components of our long-term debt and aggregate debt issuance costs and unamortized premium are disclosed in Note 7, Debt.

In May 2014, the FASB issued guidance outlining a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that supersedes most current revenue recognition guidance. This guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The original effective date of the guidance would have required us to adopt at the beginning of our first quarter of fiscal 2018; however, the FASB approved an optional one-year deferral of the effective date. The new guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. We are currently evaluating the overall impact this guidance will have on our consolidated financial statements, as well as the expected timing and method of adoption. Based on our preliminary assessment, we determined the adoption will change the timing of recognition and classification of our stored value card breakage income, which is currently recognized using the remote method and recorded in net interest income and other. The new guidance will require application of the proportional method and classification within total net revenues on our consolidated statements of earnings. Additionally, the new guidance requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and significant judgments in measurement and recognition. We are continuing our assessment, which may identify other impacts.

### Note 2: Acquisitions and Divestitures

#### Fiscal 2016

During the third quarter of fiscal 2016, we sold our ownership interest in our Germany retail business to AmRest Holdings SE for a total of \$47.3 million. This transaction converted these company-operated stores to a fully licensed market and resulted in an insignificant pre-tax gain, which was included in interest income and other, net on our condensed consolidated statements of earnings.

In the first quarter of fiscal 2016, we sold our 49% ownership interest in our Spanish joint venture, Starbucks Coffee España, S.L. ("Starbucks Spain"), to our joint venture partner, Sigla S.A. (Grupo Vips), for a total purchase price of \$30.2 million. This transaction resulted in an insignificant pre-tax gain, which was included in interest income and other, net on our consolidated statements of earnings.

### Note 3: Derivative Financial Instruments

#### Interest Rates

Depending on market conditions, we enter into interest rate swap agreements to hedge the variability in cash flows due to changes in benchmark interest rates related to anticipated debt issuances. These agreements are cash settled at the time of the pricing of the related debt. The effective portion of the derivative's gain or loss is recorded in accumulated other comprehensive income ("AOCI") and is subsequently reclassified to interest expense over the life of the related debt.

Table of Contents

## Foreign Currency

To reduce cash flow volatility from foreign currency fluctuations, we enter into forward and swap contracts to hedge portions of cash flows of anticipated intercompany royalty payments, inventory purchases, and intercompany borrowing and lending activities. The effective portion of the derivative's gain or loss is recorded in AOCI and is subsequently reclassified to revenue, cost of sales including occupancy costs, or interest income and other, net, respectively, when the hedged exposure affects net earnings.

We also enter into forward contracts to hedge the foreign currency exposure of our net investment in certain foreign operations. The effective portion of the derivative's gain or loss is recorded in AOCI and is subsequently reclassified to net earnings when the hedged net investment is either sold or substantially liquidated.

To mitigate the foreign exchange risk of certain balance sheet items, we enter into foreign currency forward and swap contracts that are not designated as hedging instruments. Gains and losses from these derivatives are largely offset by the financial impact of translating foreign currency denominated payables and receivables; both are recorded in interest income and other, net.

## Commodities

Depending on market conditions, we may enter into coffee futures contracts and collars (the combination of a purchased call option and a sold put option) to hedge a portion of anticipated cash flows under our price-to-be-fixed green coffee contracts, which are described further in [Note 5](#), Inventories. The effective portion of each derivative's gain or loss is recorded in AOCI and is subsequently reclassified to cost of sales including occupancy costs when the hedged exposure affects net earnings.

To mitigate the price uncertainty of a portion of our future purchases, primarily of dairy products, diesel fuel and other commodities, we enter into swap contracts, futures and collars that are not designated as hedging instruments. Gains and losses from these derivatives are recorded in interest income and other, net and help to offset price fluctuations on our beverage, food, packaging and transportation costs, which are included in cost of sales including occupancy costs on our consolidated statements of earnings.

Gains and losses on derivative contracts designated as hedging instruments included in AOCI and expected to be reclassified into earnings within 12 months, net of tax (in millions):

|                          | Net<br>Gains/(Losses)<br>Included in<br>AOCI |                | Net<br>Gains/(Losses)<br>Expected to be<br>Reclassified<br>from AOCI<br>into Earnings<br>within 12<br>Months |  | Outstanding Contract Remaining Maturity<br>(Months) |
|--------------------------|----------------------------------------------|----------------|--------------------------------------------------------------------------------------------------------------|--|-----------------------------------------------------|
|                          | Jan 1,<br>2017                               | Oct 2,<br>2016 |                                                                                                              |  |                                                     |
| Cash Flow Hedges:        |                                              |                |                                                                                                              |  |                                                     |
| Interest rates           | \$ 19.8                                      | \$ 20.5        | \$ 3.0                                                                                                       |  | 0                                                   |
| Cross-currency swaps     | (9.6 )                                       | (7.7 )         | —                                                                                                            |  | 95                                                  |
| Foreign currency - other | 21.5                                         | (0.4 )         | 15.9                                                                                                         |  | 36                                                  |
| Coffee                   | (0.1 )                                       | (1.6 )         | (0.1 )                                                                                                       |  | 10                                                  |
| Net Investment Hedges:   |                                              |                |                                                                                                              |  |                                                     |
| Foreign currency         | 27.2                                         | 1.3            | —                                                                                                            |  | 1                                                   |

Table of Contents

Pretax gains and losses on derivative contracts designated as hedging instruments recognized in other comprehensive income ("OCI") and reclassifications from AOCI to earnings (in millions):

|                          | Quarter Ended     |              |               |
|--------------------------|-------------------|--------------|---------------|
|                          | Gains/(Losses)    |              |               |
|                          | Recognized        | Reclassified |               |
|                          | in                | from         |               |
|                          | OCI               | AOCI to      |               |
|                          | Before            | Earnings     |               |
|                          | Reclassifications |              |               |
|                          | Jan 1, 2015       | Dec 27, 2017 | Dec 27, 2015  |
| Cash Flow Hedges:        |                   |              |               |
| Interest rates           | \$ -3.1           | \$ 1.2       | \$ 1.5        |
| Cross-currency swaps     | 75.3              | (3.3 )       | 77.6 (1.8 )   |
| Foreign currency - other | 37.2              | 4.4          | 8.5           |
| Coffee                   | 1.0               | (1.3 )       | (0.7 ) (0.1 ) |

## Net Investment Hedges:

|                  |      |   |   |
|------------------|------|---|---|
| Foreign currency | 41.4 | — | — |
|------------------|------|---|---|

Pretax gains and losses on derivative contracts not designated as hedging instruments recognized in earnings (in millions):

|                                   | Gains/(Losses) |              |
|-----------------------------------|----------------|--------------|
|                                   | Recognized in  |              |
|                                   | Earnings       |              |
|                                   | Quarter Ended  |              |
|                                   | Jan 1, 2017    | Dec 27, 2015 |
| Foreign currency - other          | \$ 8.3         | \$ 2.1       |
| Dairy                             | 5.1            | (5.6 )       |
| Diesel fuel and other commodities | 0.2            | (4.7 )       |

Notional amounts of outstanding derivative contracts (in millions):

|                                   | Jan 1, Oct 2, |        |
|-----------------------------------|---------------|--------|
|                                   | 2017          | 2016   |
| Cross-currency swaps              | \$ 552        | \$ 660 |
| Foreign currency - other          | 1,407         | 688    |
| Coffee                            | —             | 7      |
| Dairy                             | 47            | 76     |
| Diesel fuel and other commodities | 51            | 46     |

Fair value of outstanding derivative contracts (in millions):

|                                                | Derivative Assets |             | Derivative Liabilities |             |
|------------------------------------------------|-------------------|-------------|------------------------|-------------|
|                                                | Jan 1, 2017       | Oct 2, 2016 | Jan 1, 2017            | Oct 2, 2016 |
| Designated Derivative Hedging Instruments:     |                   |             |                        |             |
| Cross-currency swaps                           | \$ 26.2           | \$ —        | \$ 7.9                 | \$ 57.0     |
| Foreign currency - other                       | 75.3              | 20.8        | 2.7                    | 24.0        |
| Coffee                                         | —                 | 1.8         | —                      | —           |
| Non-designated Derivative Hedging Instruments: |                   |             |                        |             |
| Foreign currency - other                       | 22.3              | 6.2         | 10.1                   | 6.5         |
| Dairy                                          | 3.9               | 1.5         | —                      | 1.6         |

Diesel fuel and other commodities 4.6 3.8 2.0 0.5

Additional disclosures related to cash flow gains and losses included in AOCI, as well as subsequent reclassifications to earnings, are included in Note 8, Equity.

Table of Contents

## Note 4: Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis (in millions):

|                                            | Balance<br>at<br>Jan 1,<br>2017 | Fair Value Measurements at Reporting Date Using<br>Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|--------------------------------------------|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------|
| Assets:                                    |                                 |                                                                                                                               |                                                        |                                                    |
| Cash and cash equivalents                  | \$2,034.6                       | \$ 2,034.6                                                                                                                    | \$ —                                                   | \$ —                                               |
| Short-term investments:                    |                                 |                                                                                                                               |                                                        |                                                    |
| Available-for-sale securities              |                                 |                                                                                                                               |                                                        |                                                    |
| Agency obligations                         | 1.3                             | —                                                                                                                             | 1.3                                                    | —                                                  |
| Commercial paper                           | 5.6                             | —                                                                                                                             | 5.6                                                    | —                                                  |
| Corporate debt securities                  | 20.5                            | —                                                                                                                             | 20.5                                                   | —                                                  |
| Foreign government obligations             | 4.6                             | —                                                                                                                             | 4.6                                                    | —                                                  |
| U.S. government treasury securities        | 28.8                            | 28.8                                                                                                                          | —                                                      | —                                                  |
| State and local government obligations     | 0.5                             | —                                                                                                                             | 0.5                                                    | —                                                  |
| Certificates of deposit                    | 9.4                             | —                                                                                                                             | 9.4                                                    | —                                                  |
| Total available-for-sale securities        | 70.7                            | 28.8                                                                                                                          | 41.9                                                   | —                                                  |
| Trading securities                         | 70.1                            | 70.1                                                                                                                          | —                                                      | —                                                  |
| Total short-term investments               | 140.8                           | 98.9                                                                                                                          | 41.9                                                   | —                                                  |
| Prepaid expenses and other current assets: |                                 |                                                                                                                               |                                                        |                                                    |
| Derivative assets                          | 85.8                            | 3.3                                                                                                                           | 82.5                                                   | —                                                  |
| Long-term investments:                     |                                 |                                                                                                                               |                                                        |                                                    |
| Available-for-sale securities              |                                 |                                                                                                                               |                                                        |                                                    |
| Agency obligations                         | 54.5                            | —                                                                                                                             | 54.5                                                   | —                                                  |
| Corporate debt securities                  | 515.9                           | —                                                                                                                             | 515.9                                                  | —                                                  |
| Auction rate securities                    | 5.7                             | —                                                                                                                             | —                                                      | 5.7                                                |
| Foreign government obligations             | 59.5                            | —                                                                                                                             | 59.5                                                   | —                                                  |
| U.S. government treasury securities        | 355.3                           | 355.3                                                                                                                         | —                                                      | —                                                  |
| State and local government obligations     | 83.6                            | —                                                                                                                             | 83.6                                                   | —                                                  |
| Mortgage and other asset-backed securities | 203.8                           | —                                                                                                                             | 203.8                                                  | —                                                  |
| Total long-term investments                | 1,278.3                         | 355.3                                                                                                                         | 917.3                                                  | 5.7                                                |
| Other long-term assets:                    |                                 |                                                                                                                               |                                                        |                                                    |
| Derivative assets                          | 46.5                            | —                                                                                                                             | 46.5                                                   | —                                                  |
| Total assets                               | \$3,586.0                       | \$ 2,492.1                                                                                                                    | \$ 1,088.2                                             | \$ 5.7                                             |
| Liabilities:                               |                                 |                                                                                                                               |                                                        |                                                    |
| Accrued liabilities:                       |                                 |                                                                                                                               |                                                        |                                                    |
| Derivative liabilities                     | \$13.5                          | \$ —                                                                                                                          | \$ 13.5                                                | \$ —                                               |
| Other long-term liabilities:               |                                 |                                                                                                                               |                                                        |                                                    |
| Derivative liabilities                     | 9.2                             | —                                                                                                                             | 9.2                                                    | —                                                  |
| Total liabilities                          | \$22.7                          | \$ —                                                                                                                          | \$ 22.7                                                | \$ —                                               |

Table of Contents

|                                            | Fair Value Measurements at Reporting Date Using |                                                                            |                                                           |                                                    |
|--------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                            | Balance<br>at<br>Oct 2,<br>2016                 | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Assets:                                    |                                                 |                                                                            |                                                           |                                                    |
| Cash and cash equivalents                  | \$2,128.8                                       | \$ 2,128.8                                                                 | \$ —                                                      | \$ —                                               |
| Short-term investments:                    |                                                 |                                                                            |                                                           |                                                    |
| Available-for-sale securities              |                                                 |                                                                            |                                                           |                                                    |
| Agency obligations                         | 1.3                                             | —                                                                          | 1.3                                                       | —                                                  |
| Commercial paper                           | 2.6                                             | —                                                                          | 2.6                                                       | —                                                  |
| Corporate debt securities                  | 34.2                                            | —                                                                          | 34.2                                                      | —                                                  |
| Foreign government obligations             | 5.5                                             | —                                                                          | 5.5                                                       | —                                                  |
| U.S. government treasury securities        | 15.8                                            | 15.8                                                                       | —                                                         | —                                                  |
| State and local government obligations     | 0.5                                             | —                                                                          | 0.5                                                       | —                                                  |
| Certificates of deposit                    | 5.8                                             | —                                                                          | 5.8                                                       | —                                                  |
| Total available-for-sale securities        | 65.7                                            | 15.8                                                                       | 49.9                                                      | —                                                  |
| Trading securities                         | 68.7                                            | 68.7                                                                       | —                                                         | —                                                  |
| Total short-term investments               | 134.4                                           | 84.5                                                                       | 49.9                                                      | —                                                  |
| Prepaid expenses and other current assets: |                                                 |                                                                            |                                                           |                                                    |
| Derivative assets                          | 27.7                                            | 3.1                                                                        | 24.6                                                      | —                                                  |
| Long-term investments:                     |                                                 |                                                                            |                                                           |                                                    |
| Available-for-sale securities              |                                                 |                                                                            |                                                           |                                                    |
| Agency obligations                         | 44.4                                            | —                                                                          | 44.4                                                      | —                                                  |
| Corporate debt securities                  | 459.3                                           | —                                                                          | 459.3                                                     | —                                                  |
| Auction rate securities                    | 5.7                                             | —                                                                          | —                                                         | 5.7                                                |
| Foreign government obligations             | 46.7                                            | —                                                                          | 46.7                                                      | —                                                  |
| U.S. government treasury securities        | 358.2                                           | 358.2                                                                      | —                                                         | —                                                  |
| State and local government obligations     | 57.5                                            | —                                                                          | 57.5                                                      | —                                                  |
| Mortgage and other asset-backed securities | 169.9                                           | —                                                                          | 169.9                                                     | —                                                  |
| Total long-term investments                | 1,141.7                                         | 358.2                                                                      | 777.8                                                     | 5.7                                                |
| Other long-term assets:                    |                                                 |                                                                            |                                                           |                                                    |
| Derivative assets                          | 6.4                                             | —                                                                          | 6.4                                                       | —                                                  |
| Total assets                               | \$3,439.0                                       | \$ 2,574.6                                                                 | \$ 858.7                                                  | \$ 5.7                                             |
| Liabilities:                               |                                                 |                                                                            |                                                           |                                                    |
| Accrued liabilities:                       |                                                 |                                                                            |                                                           |                                                    |
| Derivative liabilities                     | \$18.0                                          | \$ 1.7                                                                     | \$ 16.3                                                   | \$ —                                               |
| Other long-term liabilities:               |                                                 |                                                                            |                                                           |                                                    |
| Derivative liabilities                     | 71.6                                            | —                                                                          | 71.6                                                      | —                                                  |
| Total                                      | \$89.6                                          | \$ 1.7                                                                     | \$ 87.9                                                   | \$ —                                               |

There were no transfers between levels, and there was no significant activity within Level 3 instruments during the periods presented. The fair values of any financial instruments presented above exclude the impact of netting assets and liabilities when a legally enforceable master netting agreement exists.

Gross unrealized holding gains and losses on investments were not material as of January 1, 2017 and October 2, 2016.

#### Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities recognized or disclosed at fair value on the consolidated financial statements on a nonrecurring basis include items such as property, plant and equipment, goodwill and other intangible assets, equity and cost

method investments,

13

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Table of Contents

and other assets. These assets are measured at fair value if determined to be impaired. During the quarters ended January 1, 2017 and December 27, 2015, there were no material fair value adjustments.

The estimated fair value of our long-term debt based on the quoted market price (Level 2) is included at Note 7, Debt. Note 5: Inventories (in millions)

|                                 | Jan 1,<br>2017 | Oct 2,<br>2016 | Dec 27,<br>2015 |
|---------------------------------|----------------|----------------|-----------------|
| Coffee:                         |                |                |                 |
| Unroasted                       | \$550.5        | \$561.6        | \$559.2         |
| Roasted                         | 255.7          | 300.4          | 256.6           |
| Other merchandise held for sale | 256.2          | 308.6          | 270.8           |
| Packaging and other supplies    | 156.3          | 207.9          | 156.0           |
| Total                           | \$1,218.7      | \$1,378.5      | \$1,242.6       |

Other merchandise held for sale includes, among other items, serveware and tea. Inventory levels vary due to seasonality, commodity market supply and price fluctuations.

As of January 1, 2017, we had committed to purchasing green coffee totaling \$586 million under fixed-price contracts and an estimated \$540 million under price-to-be-fixed contracts. 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. For most contracts, either Starbucks or the seller has the option to "fix" the base "C" coffee commodity price prior to the delivery date. For other contracts, Starbucks and the seller may agree upon pricing parameters determined by the base "C" coffee commodity price. Until prices are fixed, we estimate the total cost of these purchase commitments. We believe, based on relationships established with our suppliers in the past, the risk of non-delivery on these purchase commitments is remote.

Note 6: Supplemental Balance Sheet Information (in millions)

## Property, Plant and Equipment, net

|                                      | Jan 1,<br>2017 | Oct 2,<br>2016 |
|--------------------------------------|----------------|----------------|
| Land                                 | \$46.5         | \$46.6         |
| Buildings                            | 454.3          | 458.4          |
| Leasehold improvements               | 5,924.8        | 5,892.9        |
| Store equipment                      | 1,927.6        | 1,931.7        |
| Roasting equipment                   | 603.2          | 605.4          |
| Furniture, fixtures and other        | 1,388.6        | 1,366.9        |
| Work in progress                     | 266.7          | 271.4          |
| Property, plant and equipment, gross | 10,611.7       | 10,573.3       |
| Accumulated depreciation             | (6,133.2 )     | (6,039.5 )     |
| Property, plant and equipment, net   | \$4,478.5      | \$4,533.8      |

## Accrued Liabilities

|                                                  | Jan 1,<br>2017 | Oct 2,<br>2016 |
|--------------------------------------------------|----------------|----------------|
| Accrued compensation and related costs           | \$457.5        | \$510.8        |
| Accrued occupancy costs                          | 138.8          | 137.5          |
| Accrued taxes                                    | 355.1          | 368.4          |
| Accrued dividends payable                        | 364.2          | 365.1          |
| Accrued capital and other operating expenditures | 629.3          | 617.3          |
| Total accrued liabilities                        | \$1,944.9      | \$1,999.1      |



Table of Contents

## Note 7: Debt

In December 2016, we repaid the \$400 million of 0.875% Senior Notes (the "2016 notes") at maturity.

Components of long-term debt including the associated interest rates and related estimated fair values by calendar maturity (in millions, except interest rates):

| Issuance                                                   | Jan 1, 2017 |                      | Oct 2, 2016 |                      | Stated Interest Rate | Effective Interest Rate <sup>(1)</sup> |
|------------------------------------------------------------|-------------|----------------------|-------------|----------------------|----------------------|----------------------------------------|
|                                                            | Face Value  | Estimated Fair Value | Face Value  | Estimated Fair Value |                      |                                        |
| 2016 notes                                                 | \$—         | \$—                  | \$400.0     | \$ 400               | 0.875 %              | 0.941 %                                |
| 2018 notes                                                 | 350.0       | 353                  | 350.0       | 357                  | 2.000 %              | 2.012 %                                |
| 2021 notes                                                 | 500.0       | 499                  | 500.0       | 511                  | 2.100 %              | 2.293 %                                |
| 2021 notes                                                 | 250.0       | 249                  | 250.0       | 255                  | 2.100 %              | 1.600 %                                |
| 2022 notes                                                 | 500.0       | 502                  | 500.0       | 526                  | 2.700 %              | 2.819 %                                |
| 2023 notes                                                 | 750.0       | 799                  | 750.0       | 839                  | 3.850 %              | 2.860 %                                |
| 2026 notes                                                 | 500.0       | 475                  | 500.0       | 509                  | 2.450 %              | 2.511 %                                |
| 2045 notes                                                 | 350.0       | 366                  | 350.0       | 417                  | 4.300 %              | 4.348 %                                |
| Total                                                      | 3,200.0     | 3,243                | 3,600.0     | 3,814                |                      |                                        |
| Aggregate debt issuance costs and unamortized premium, net | (14.3 )     |                      | (14.8 )     |                      |                      |                                        |
| Total                                                      | \$3,185.7   |                      | \$3,585.2   |                      |                      |                                        |

Includes the effects of the amortization of any premium or discount and any gain or loss upon settlement of related <sup>(1)</sup> treasury locks or forward-starting interest rate swaps utilized to hedge the interest rate risk prior to the debt issuance.

The indentures under which the above notes were issued require us to maintain compliance with certain covenants, including limits on future liens and sale and leaseback transactions on certain material properties. As of January 1, 2017, we were in compliance with all applicable covenants.

The following table summarizes our long-term debt maturities as of January 1, 2017 by fiscal year (in millions):

|                   |           |
|-------------------|-----------|
| Fiscal Year Total |           |
| 2018              | \$—       |
| 2019              | 350.0     |
| 2020              | —         |
| 2021              | 750.0     |
| 2022              | 500.0     |
| Thereafter        | 1,600.0   |
| Total             | \$3,200.0 |

Table of Contents

## Note 8: Equity

Changes in total equity (in millions):

|                                                                    | Quarter Ended<br>Jan 1, 2017    |                             |                 | Dec 27, 2015                    |                            |                 |
|--------------------------------------------------------------------|---------------------------------|-----------------------------|-----------------|---------------------------------|----------------------------|-----------------|
|                                                                    | Attributable<br>to<br>Starbucks | Noncontrolling<br>interests | Total<br>Equity | Attributable<br>to<br>Starbucks | Noncontrolling<br>interest | Total<br>Equity |
| Beginning balance of total equity                                  | \$5,884.0                       | \$ 6.7                      | \$5,890.7       | \$5,818.0                       | \$ 1.8                     | \$5,819.8       |
| Net earnings including noncontrolling interests                    | 751.8                           | (0.3 )                      | 751.5           | 687.6                           | 0.1                        | 687.7           |
| Translation adjustment and other, net of reclassifications and tax | (171.8 )                        | —                           | (171.8 )        | (24.4 )                         | —                          | (24.4 )         |
| Unrealized gains/(losses), net of reclassifications and tax        | 37.9                            | —                           | 37.9            | (1.3 )                          | —                          | (1.3 )          |
| Other comprehensive loss                                           | (133.9 )                        | —                           | (133.9 )        | (25.7 )                         | —                          | (25.7 )         |
| Stock-based compensation expense                                   | 55.7                            | —                           | 55.7            | 57.9                            | —                          | 57.9            |
| Exercise of stock options/vesting of RSUs                          | 8.8                             | —                           | 8.8             | 7.8                             | —                          | 7.8             |
| Sale of common stock                                               | 7.0                             | —                           | 7.0             | 0.1                             | —                          | 0.1             |
| Repurchase of common stock                                         | (413.7 )                        | —                           | (413.7 )        | (267.1 )                        | —                          | (267.1 )        |
| Cash dividends declared                                            | (363.1 )                        | —                           | (363.1 )        | (297.1 )                        | —                          | (297.1 )        |
| Ending balance of total equity                                     | \$5,796.6                       | \$ 6.5                      | \$5,803.1       | \$5,981.5                       | \$ 1.9                     | \$5,983.4       |

Changes in AOCI by component, net of tax (in millions):

|                                                               | Quarter Ended                    |                        |                             |                                        |           |
|---------------------------------------------------------------|----------------------------------|------------------------|-----------------------------|----------------------------------------|-----------|
|                                                               | Available-for-Sale<br>Securities | Cash<br>Flow<br>Hedges | Net<br>Investment<br>Hedges | Translation<br>Adjustment<br>and Other | Total     |
| January 1, 2017                                               |                                  |                        |                             |                                        |           |
| Net gains/(losses) in AOCI, beginning of period               | \$ 1.1                           | \$ 10.9                | \$ 1.3                      | \$ (121.7 )                            | \$(108.4) |
| Net gains/(losses) recognized in OCI before reclassifications | (9.3 )                           | 87.0                   | 25.9                        | (171.8 )                               | (68.2 )   |
| Net (gains)/losses reclassified from AOCI to earnings         | 0.6                              | (66.3 )                | —                           | —                                      | (65.7 )   |
| Other comprehensive income/(loss) attributable to Starbucks   | (8.7 )                           | 20.7                   | 25.9                        | (171.8 )                               | (133.9 )  |
| Net gains/(losses) in AOCI, end of period                     | \$ (7.6 )                        | \$ 31.6                | \$ 27.2                     | \$ (293.5 )                            | \$(242.3) |
| December 27, 2015                                             |                                  |                        |                             |                                        |           |
| Net gains/(losses) in AOCI, beginning of period               | \$ (0.1 )                        | \$ 25.6                | \$ 1.3                      | \$ (226.2 )                            | \$(199.4) |
| Net gains/(losses) recognized in OCI before reclassifications | 0.6                              | 3.1                    | —                           | (24.4 )                                | (20.7 )   |
| Net (gains)/losses reclassified from AOCI to earnings         | 0.3                              | (5.3 )                 | —                           | —                                      | (5.0 )    |
| Other comprehensive income/(loss) attributable to Starbucks   | 0.9                              | (2.2 )                 | —                           | (24.4 )                                | (25.7 )   |
| Net gains/(losses) in AOCI, end of period                     | \$ 0.8                           | \$ 23.4                | \$ 1.3                      | \$ (250.6 )                            | \$(225.1) |

Table of Contents

Impact of reclassifications from AOCI on the consolidated statements of earnings (in millions):

Quarter Ended

| AOCI<br>Components                              | Amounts<br>Reclassified<br>from AOCI |                 | Affected Line Item in<br>the Statements of Earnings |
|-------------------------------------------------|--------------------------------------|-----------------|-----------------------------------------------------|
|                                                 | Jan 1,<br>2017                       | Dec 27,<br>2015 |                                                     |
| Gains/(losses) on available-for-sale securities | \$(0.8 )                             | \$(0.3 )        | Interest income and other, net                      |
| Gains/(losses) on cash flow hedges              |                                      |                 |                                                     |
| Interest rate hedges                            | 1.2                                  | 1.5             | Interest expense                                    |
| Cross-currency swaps                            | 77.6                                 | (1.8 )          | Interest income and other, net                      |
| Foreign currency hedges                         | 1.3                                  | 3.0             | Revenues                                            |
| Foreign currency/coffee hedges                  | 2.4                                  | 5.3             | Cost of sales including occupancy costs             |
|                                                 | 81.7                                 | 7.7             | Total before tax                                    |
|                                                 | (16.0 )                              | (2.7 )          | Tax expense                                         |
|                                                 | \$65.7                               | \$ 5.0          | Net of tax                                          |

In addition to 2.4 billion shares of authorized common stock with \$0.001 par value per share, the Company has authorized 7.5 million shares of preferred stock, none of which was outstanding as of January 1, 2017.

We repurchased 7.6 million shares of common stock at a total cost of \$413.7 million, and 4.5 million shares at a total cost of \$267.1 million for the quarters ended January 1, 2017 and December 27, 2015, respectively. As of January 1, 2017, 110.2 million shares remained available for repurchase under current authorizations.

During the first quarter of fiscal 2017, our Board of Directors declared a quarterly cash dividend to shareholders of \$0.25 per share to be paid on February 24, 2017 to shareholders of record as of the close of business on February 9, 2017.

## Note 9: Employee Stock Plans

As of January 1, 2017, there were 71.3 million shares of common stock available for issuance pursuant to future equity-based compensation awards and 13.7 million shares available for issuance under our employee stock purchase plan.

Stock-based compensation expense recognized in the consolidated statements of earnings (in millions):

|                                        | Quarter Ended  |                 |
|----------------------------------------|----------------|-----------------|
|                                        | Jan 1,<br>2017 | Dec 27,<br>2015 |
| Options                                | \$14.9         | \$15.5          |
| Restricted Stock Units ("RSUs")        | 40.1           | 41.8            |
| Total stock-based compensation expense | \$55.0         | \$57.3          |

Stock option and RSU transactions from October 2, 2016 through January 1, 2017 (in millions):

|                                                                                                          | Stock Options | RSUs    |
|----------------------------------------------------------------------------------------------------------|---------------|---------|
| Options outstanding/Nonvested RSUs, October 2, 2016                                                      | 31.3          | 8.3     |
| Granted                                                                                                  | 6.7           | 4.7     |
| Options exercised/RSUs vested                                                                            | (1.8 )        | (3.6 )  |
| Forfeited/expired                                                                                        | (0.5 )        | (0.4 )  |
| Options outstanding/Nonvested RSUs, January 1, 2017                                                      | 35.7          | 9.0     |
| Total unrecognized stock-based compensation expense, net of estimated forfeitures, as of January 1, 2017 | \$ 66.5       | \$235.0 |

Table of Contents

## Note 10: Earnings per Share

Calculation of net earnings per common share ("EPS") — basic and diluted (in millions, except EPS):

|                                                                                            | Quarter Ended |              |
|--------------------------------------------------------------------------------------------|---------------|--------------|
|                                                                                            | Jan 1, 2017   | Dec 27, 2015 |
| Net earnings attributable to Starbucks                                                     | \$751.8       | \$687.6      |
| Weighted average common shares outstanding (for basic calculation)                         | 1,457.5       | 1,485.9      |
| Dilutive effect of outstanding common stock options and RSUs                               | 13.0          | 17.4         |
| Weighted average common and common equivalent shares outstanding (for diluted calculation) | 1,470.5       | 1,503.3      |
| EPS — basic                                                                                | \$0.52        | \$0.46       |
| EPS — diluted                                                                              | \$0.51        | \$0.46       |

Potential dilutive shares consist of the incremental common shares issuable upon the exercise of outstanding stock options (both vested and nonvested) and unvested RSUs, calculated using the treasury stock method. The calculation of dilutive shares outstanding excludes out-of-the-money stock options (i.e., such options' exercise prices were greater than the average market price of our common shares for the period) because their inclusion would have been antidilutive. Out-of-the-money stock options totaled approximately 8.6 million and 2.4 million as of January 1, 2017 and December 27, 2015, respectively.

## Note 11: Segment Reporting

Our chief executive officer and chief operating officer comprise the Company's Chief Operating Decision Maker function ("CODM"). Segment information is prepared on the same basis that our CODM manages the segments, evaluates financial results and makes key operating decisions.

The table below presents financial information for our reportable operating segments and All Other Segments (in millions):

| Quarter Ended                          | Americas  | China/<br>Asia Pacific | EMEA    | Channel<br>Development | All Other<br>Segments | Segment<br>Total |
|----------------------------------------|-----------|------------------------|---------|------------------------|-----------------------|------------------|
| January 1, 2017                        |           |                        |         |                        |                       |                  |
| Total net revenues                     | \$3,991.4 | \$ 770.8               | \$262.4 | \$ 553.7               | \$ 154.6              | \$5,732.9        |
| Depreciation and amortization expenses | 152.4     | 48.6                   | 7.6     | 0.6                    | 2.9                   | 212.1            |
| Income from equity investees           | —         | 42.5                   | —       | 41.9                   | —                     | 84.4             |
| Operating income                       | 958.5     | 163.4                  | 44.1    | 242.9                  | 9.6                   | 1,418.5          |
| December 27, 2015                      |           |                        |         |                        |                       |                  |
| Total net revenues                     | \$3,726.2 | \$ 653.6               | \$313.0 | \$ 512.1               | \$ 168.6              | \$5,373.5        |
| Depreciation and amortization expenses | 140.8     | 42.1                   | 11.5    | 0.7                    | 3.6                   | 198.7            |
| Income from equity investees           | —         | 31.2                   | 1.2     | 31.7                   | —                     | 64.1             |
| Operating income                       | 934.6     | 127.1                  | 48.1    | 193.3                  | 5.9                   | 1,309.0          |

Reconciliation of total segment operating income to consolidated earnings before income taxes (in millions):

|                                          | Quarter Ended |              |
|------------------------------------------|---------------|--------------|
|                                          | Jan 1, 2017   | Dec 27, 2015 |
| Total segment operating income           | \$1,418.5     | \$1,309.0    |
| Unallocated corporate operating expenses | (285.9 )      | (251.0 )     |
| Consolidated operating income            | 1,132.6       | 1,058.0      |
| Interest income and other, net           | 24.1          | 8.1          |
| Interest expense                         | (23.8 )       | (16.5 )      |
| Earnings before income taxes             | \$1,132.9     | \$1,049.6    |



## Table of Contents

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements herein, including statements regarding trends in or expectations relating to the expected effects of our initiatives and plans, as well as trends in or expectations regarding revenues, operating margins, comparable store sales, anticipated net new stores, the effects of foreign currency translation, earnings per share, tax rates, capital expenditures, sales leverage, other financial results, operational efficiencies, the health and growth of our business overall and of specific businesses or markets, benefits of recent initiatives, investments in our business and partners, including investments in our digital platforms and innovation, business opportunities and expansion, strategic acquisitions, expenses, dividends, share repurchases, commodity costs and our mitigation strategies, liquidity, cash flow from operations, use of cash and cash requirements, borrowing capacity, repatriation of cash to the U.S., the potential issuance of debt and applicable interest rate, and the expected effects of new accounting pronouncements, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties. Actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, fluctuations in U.S. and international economies and currencies, our ability to preserve, grow and leverage our brands, potential negative effects of incidents involving food or beverage-borne illnesses, tampering, contamination or mislabeling, potential negative effects of material breaches of our information technology systems to the extent we experience a material breach, material failures of our information technology systems, costs associated with, and the successful execution of, the company's initiatives and plans, including the integration of Starbucks Japan, the acceptance of the company's products by our customers, the impact of competition, coffee, dairy and other raw materials prices and availability, the effect of legal proceedings, and other risks detailed in our filings with the SEC, including in Part I Item 1A "Risk Factors" in the 10-K.

A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this report. We are under no obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

This information should be read in conjunction with the condensed consolidated financial statements and the notes included in Item 1 of Part I of this 10-Q and the audited consolidated financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the 10-K. General

Our fiscal year ends on the Sunday closest to September 30. All references to store counts, including data for new store openings, are reported net of store closures, unless otherwise noted.

#### Overview

Starbucks first quarter results reflect strong operating and financial performance and our continued ability to make disciplined investments in our business and our partners (employees). Consolidated total net revenues increased 7% to \$5.7 billion, primarily driven by incremental revenues from 2,163 net new store openings over the last 12 months, global comparable store sales growth of 3% and increased product sales to and royalty revenues from our licensees. Consolidated operating income increased \$75 million, or 7%, to \$1.1 billion. Operating margin expanded 10 basis points to 19.8%, primarily due to sales leverage and lower coffee costs, partially offset by higher investments in our store partners, largely in the Americas segment. Earnings per share of \$0.51 increased 11% over the prior year quarter earnings per share of \$0.46.

The Americas segment continued to perform well in the first quarter, growing revenues by 7% to \$4.0 billion, primarily driven by incremental revenues from 884 net new store openings over the past 12 months and comparable store sales growth of 3%. All day-parts grew compared to a year ago with iced beverages, including espresso, coffee and tea, paired with the success of our food offerings, contributing to the increase in comparable store sales. Operating income increased \$24 million and operating margin at 24.0% declined 110 basis points from a year ago primarily due to investments in our store partners, partially offset by sales leverage.

In our China/Asia Pacific segment, revenues grew by 18% to \$771 million, primarily driven by incremental revenues from 1,003 net new stores over the past year, a 5% increase in comparable store sales and favorable foreign currency translation. Operating income grew 29%, to \$163 million, while operating margin expanded 180 basis points to 21.2%. The overall operating margin expansion was primarily due to changes to certain business tax structures in China and higher income from our joint venture operations, partially offset by the impact of foreign currency translation.

We continue to execute our strategy of achieving the appropriate balance between company-operated and licensed stores in our EMEA segment. EMEA revenues declined \$51 million, or 16%, primarily due to the shift to more licensed stores in the region,

Table of Contents

including the conversion of our Germany retail operations to licensed in the third quarter of fiscal 2016, and unfavorable foreign currency translation. Partially offsetting lower company-operated store revenues were higher licensed store sales, primarily resulting from the opening of 310 net new licensed stores and the transfer of 179 company-operated stores to licensed stores over the past 12 months. Operating margin expanded 140 basis points to 16.8% due to the shift in the portfolio towards more licensed stores, partially offset by unfavorable foreign currency exchange and sales deleverage in certain company-operated stores.

Channel Development segment revenues grew 8% for the quarter to \$554 million, primarily due to higher sales of premium single-serve products and U.S. packaged coffee sales, as well as increased sales through our international channels, primarily associated with our European and North American regions. Operating income grew \$50 million, or 26%, to \$243 million. Operating margin increased 620 basis points to 43.9% in the first quarter of fiscal 2017 primarily due to lower coffee costs, strong performance from our North American Coffee Partnership joint venture and leverage on cost of sales and other operating expenses.

**Fiscal 2017 — Financial Outlook for the Year**

For fiscal 2017, we expect consolidated revenue growth in the mid-single-digits when compared to our 53-week results in fiscal 2016. After adjusting for the 2% of additional revenue attributable to the extra week in fiscal 2016 and the approximate 1% of anticipated unfavorable foreign currency translation for fiscal 2017, consolidated revenue growth is expected to be in the range of 8% to 10%. Revenue growth is expected to be driven by approximately 2,100 net new stores worldwide and global comparable store sales in the mid-single digits, with some expected improvement in global comparable store sales in the second half of fiscal 2017. Approximately 1,000 net new store openings will be in our China/Asia Pacific segment, approximately 800 net new stores coming from the Americas segment and the remaining store growth from the EMEA segment.

We expect consolidated operating margin to increase slightly and earnings per share to be in the range of \$2.09 to \$2.11 for full year fiscal 2017. Revenue growth and sales leverage are expected to be partially offset by the expansion of our investments in our partners (employees) and digital platforms, as well as our continued focus on product development and innovation. Partner and digital investments include enhanced wages and benefits and focus on mobile and loyalty programs. When compared to fiscal 2016, we expect global partner and digital investments to increase by approximately \$250 million in fiscal 2017, further demonstrating the importance of and value creation realized from these investments.

Table of Contents

## Comparable Store Sales

Starbucks comparable store sales for the first quarter of fiscal 2017:

|                    | Quarter Ended Jan 1, 2017 |                        |                  |
|--------------------|---------------------------|------------------------|------------------|
|                    | Sales Growth              | Change in Transactions | Change in Ticket |
| Consolidated       | 3%                        | (1)%                   | 4%               |
| Americas           | 3%                        | (2)%                   | 5%               |
| China/Asia Pacific | 5%                        | 2%                     | 3%               |
| EMEA               | (1)%                      | (2)%                   | 1%               |

Our comparable store sales represent the growth in revenues from Starbucks® company-operated stores open 13 months or longer. Comparable store sales exclude the effect of foreign currency translation.

## Results of Operations (in millions)

## Revenues

|                            | Quarter Ended |              |          |
|----------------------------|---------------|--------------|----------|
|                            | Jan 1, 2017   | Dec 27, 2015 | % Change |
| Company-operated stores    | \$4,469.3     | \$4,210.6    | 6.1 %    |
| Licensed stores            | 602.4         | 540.6        | 11.4     |
| CPG, foodservice and other | 661.2         | 622.3        | 6.3      |
| Total net revenues         | \$5,732.9     | \$5,373.5    | 6.7 %    |

Total net revenues for the first quarter of fiscal 2017 increased \$359 million compared to a year ago, primarily due to increased revenues from company-operated stores (\$259 million). The increase in company-operated store revenues was driven by an increase in incremental revenues from 701 net new Starbucks® company-operated store openings over the past 12 months (\$196 million) and a 3% growth in comparable store sales (\$119 million), attributable to a 4% increase in average ticket. Partially offsetting these increases was the absence of revenue from the conversion of certain company-operated stores to licensed (\$48 million).

Licensed store revenue growth also contributed to the increase in total net revenues (\$62 million) for the first quarter of fiscal 2017, primarily due to increased product sales to and royalty revenues from our licensees (\$68 million), largely due to the opening of 1,482 net new Starbucks® licensed stores, the transfer of 179 company-operated stores to licensed stores over the past 12 months and improved comparable store sales. These increases were partially offset by unfavorable foreign currency translation (\$13 million).

CPG, foodservice and other revenues increased \$39 million for the first quarter of fiscal 2017, primarily due to increased sales of premium single-serve products (\$16 million) and U.S. packaged coffee (\$13 million), as well as increased sales through our international channels, primarily associated with our European and North American regions (\$8 million).

Table of Contents

## Operating Expenses

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Quarter Ended                      |                 |                |                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-----------------|----------------|-----------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Jan 1,<br>2017                     | Dec 27,<br>2015 | Jan 1,<br>2017 | Dec 27,<br>2015 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | As a % of<br>Total<br>Net Revenues |                 |                |                 |
| Cost of sales including occupancy costs                                                                                                                                                                                                                                                                                                                                                                                                                                                   | \$2,295.0                          | \$2,186.2       | 40.0%          | 40.7 %          |
| Store operating expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 1,638.2                            | 1,506.2         | 28.6           | 28.0            |
| Other operating expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 145.4                              | 146.2           | 2.5            | 2.7             |
| Depreciation and amortization expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 249.7                              | 235.5           | 4.4            | 4.4             |
| General and administrative expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 356.4                              | 305.5           | 6.2            | 5.7             |
| Total operating expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 4,684.7                            | 4,379.6         | 81.7           | 81.5            |
| Income from equity investees                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 84.4                               | 64.1            | 1.5            | 1.2             |
| Operating income                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | \$1,132.6                          | \$1,058.0       | 19.8%          | 19.7 %          |
| Store operating expenses as a % of company-operated store revenues                                                                                                                                                                                                                                                                                                                                                                                                                        |                                    |                 | 36.7%          | 35.8 %          |
| Other operating expenses as a % of non-company-operated store revenues                                                                                                                                                                                                                                                                                                                                                                                                                    |                                    |                 | 11.5%          | 12.6 %          |
| Cost of sales including occupancy costs as a percentage of total net revenues decreased 70 basis points for the first quarter of fiscal 2017, primarily due to leverage on cost of sales (approximately 50 basis points) and lower commodity costs, primarily coffee (approximately 40 basis points).                                                                                                                                                                                     |                                    |                 |                |                 |
| Store operating expenses as a percentage of total net revenues increased 60 basis points for the first quarter of fiscal 2017. Store operating expenses as a percentage of company-operated store revenues increased 90 basis points for the first quarter, primarily driven by increased investments in our store partners, largely in the Americas segment (approximately 210 basis points), partially offset by sales leverage (approximately 150 basis points).                       |                                    |                 |                |                 |
| Other operating expenses as a percentage of total net revenues decreased 20 basis points for the first quarter of fiscal 2017. Excluding the impact of company-operated store revenues, other operating expenses decreased 110 basis points for the first quarter, primarily due to sales leverage (approximately 100 basis points) and an additional settlement related to the closure of our Target Canada stores in the second quarter of fiscal 2015 (approximately 40 basis points). |                                    |                 |                |                 |
| General and administrative expenses as a percentage of total net revenues increased 50 basis points for the first quarter of fiscal 2017, primarily driven by higher salaries and benefits related to digital platforms and innovation, as well as investments in store development and technology infrastructure.                                                                                                                                                                        |                                    |                 |                |                 |
| Income from equity investees as a percentage of total net revenues increased 30 basis points for the first quarter of fiscal 2017 due to higher income from our joint ventures, primarily our North American Coffee Partnership, South Korea and China joint venture operations (approximately 20 basis points each), partially offset by the growth in our revenues associated with the composition of our store portfolio (approximately 30 basis points).                              |                                    |                 |                |                 |
| The combination of these changes resulted in an overall increase in operating margin of 10 basis points for the first quarter of fiscal 2017.                                                                                                                                                                                                                                                                                                                                             |                                    |                 |                |                 |

Table of Contents

## Other Income and Expenses

|                                                              | Quarter Ended  |                 |                                 |                 |
|--------------------------------------------------------------|----------------|-----------------|---------------------------------|-----------------|
|                                                              | Jan 1,<br>2017 | Dec 27,<br>2015 | Jan 1,<br>2017                  | Dec 27,<br>2015 |
|                                                              |                |                 | As a % of Total<br>Net Revenues |                 |
| Operating income                                             | \$1,132.6      | \$1,058.0       | 19.8 %                          | 19.7 %          |
| Interest income and other, net                               | 24.1           | 8.1             | 0.4                             | 0.2             |
| Interest expense                                             | (23.8 )        | (16.5 )         | (0.4 )                          | (0.3 )          |
| Earnings before income taxes                                 | 1,132.9        | 1,049.6         | 19.8                            | 19.5            |
| Income tax expense                                           | 381.4          | 361.9           | 6.7                             | 6.7             |
| Net earnings including noncontrolling interests              | 751.5          | 687.7           | 13.1                            | 12.8            |
| Net earnings/(loss) attributable to noncontrolling interests | (0.3 )         | 0.1             | —                               | —               |
| Net earnings attributable to Starbucks                       | \$751.8        | \$687.6         | 13.1 %                          | 12.8 %          |
| Effective tax rate including noncontrolling interests        |                |                 | 33.7 %                          | 34.5 %          |

Net interest income and other increased \$16 million for the first quarter of fiscal 2017, primarily related to net favorable fair value adjustments from derivative instruments used to manage our risk of commodity price fluctuations. Interest expense increased \$7 million primarily due to additional interest incurred on the long-term debt we issued in February and May 2016.

The effective tax rate for the quarter ended January 1, 2017 was 33.7% compared to 34.5% for the same quarter in fiscal 2016. The decrease was primarily related to an incremental tax benefit from higher domestic manufacturing deductions (approximately 30 basis points).

Table of Contents

## Segment Information

Results of operations by segment (in millions):

Americas

|                                                                        | Quarter Ended  |                 |                                                |                 |
|------------------------------------------------------------------------|----------------|-----------------|------------------------------------------------|-----------------|
|                                                                        | Jan 1,<br>2017 | Dec 27,<br>2015 | Jan 1,<br>2017                                 | Dec 27,<br>2015 |
|                                                                        |                |                 | As a % of<br>Americas<br>Total Net<br>Revenues |                 |
| Net revenues:                                                          |                |                 |                                                |                 |
| Company-operated stores                                                | \$3,561.0      | \$3,330.7       | 89.2 %                                         | 89.4 %          |
| Licensed stores                                                        | 421.3          | 387.6           | 10.6                                           | 10.4            |
| Foodservice and other                                                  | 9.1            | 7.9             | 0.2                                            | 0.2             |
| Total net revenues                                                     | 3,991.4        | 3,726.2         | 100.0                                          | 100.0           |
| Cost of sales including occupancy costs                                | 1,440.3        | 1,346.9         | 36.1                                           | 36.1            |
| Store operating expenses                                               | 1,356.3        | 1,226.8         | 34.0                                           | 32.9            |
| Other operating expenses                                               | 31.9           | 32.6            | 0.8                                            | 0.9             |
| Depreciation and amortization expenses                                 | 152.4          | 140.8           | 3.8                                            | 3.8             |
| General and administrative expenses                                    | 52.0           | 44.5            | 1.3                                            | 1.2             |
| Total operating expenses                                               | 3,032.9        | 2,791.6         | 76.0                                           | 74.9            |
| Operating income                                                       | \$958.5        | \$934.6         | 24.0 %                                         | 25.1 %          |
| Store operating expenses as a % of company-operated store revenues     |                |                 | 38.1 %                                         | 36.8 %          |
| Other operating expenses as a % of non-company-operated store revenues |                |                 | 7.4 %                                          | 8.2 %           |

## Revenues

Americas total net revenues for the first quarter of fiscal 2017 increased \$265 million, or 7%, primarily due to higher revenues from company-operated stores (contributing \$230 million) and licensed stores (contributing \$34 million). The increase in company-operated store revenues was driven by incremental revenues from 342 net new Starbucks® company-operated store openings over the past 12 months (\$138 million) and a 3% increase in comparable store sales (\$91 million), attributable to a 5% increase in average ticket.

The increase in licensed store revenues was due to higher product sales to and royalty revenues from our licensees (\$30 million), primarily resulting from the opening of 542 net new licensed stores over the past 12 months and improved comparable store sales.

## Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues were flat for the first quarter of fiscal 2017, primarily due to leverage on cost of sales offset by higher rent expenses.

Store operating expenses as a percentage of total net revenues increased 110 basis points for the first quarter of fiscal 2017. Store operating expenses as a percentage of company-operated store revenues increased 130 basis points for the first quarter, primarily driven by increased investments in our store partners (approximately 250 basis points), partially offset by sales leverage on salaries and benefits (approximately 90 basis points).

Other operating expenses as a percentage of total net revenues decreased 10 basis points for the first quarter of fiscal 2017. Excluding the impact of company-operated store revenues, other operating expenses decreased 80 basis points for the first quarter, primarily due to an additional settlement related to the closure of our Target Canada stores in the second quarter of fiscal 2015 (approximately 130 basis points).

General and administrative expenses as a percentage of total net revenues increased 10 basis points for the first quarter of fiscal 2017, primarily driven by higher salaries and benefits.

The combination of these changes resulted in an overall decrease in operating margin of 110 basis points for the first quarter of fiscal 2017.



Table of Contents

## China/Asia Pacific

|                                                                        | Quarter Ended                          |                 |                |                 |
|------------------------------------------------------------------------|----------------------------------------|-----------------|----------------|-----------------|
|                                                                        | Jan 1,<br>2017                         | Dec 27,<br>2015 | Jan 1,<br>2017 | Dec 27,<br>2015 |
|                                                                        | As a % of CAP<br>Total Net<br>Revenues |                 |                |                 |
| Net revenues:                                                          |                                        |                 |                |                 |
| Company-operated stores                                                | \$691.5                                | \$580.1         | 89.7 %         | 88.8 %          |
| Licensed stores                                                        | 78.0                                   | 72.2            | 10.1           | 11.0            |
| Foodservice and other                                                  | 1.3                                    | 1.3             | 0.2            | 0.2             |
| Total net revenues                                                     | 770.8                                  | 653.6           | 100.0          | 100.0           |
| Cost of sales including occupancy costs                                | 337.3                                  | 295.0           | 43.8           | 45.1            |
| Store operating expenses                                               | 204.3                                  | 175.3           | 26.5           | 26.8            |
| Other operating expenses                                               | 19.1                                   | 14.8            | 2.5            | 2.3             |
| Depreciation and amortization expenses                                 | 48.6                                   | 42.1            | 6.3            | 6.4             |
| General and administrative expenses                                    | 40.6                                   | 30.5            | 5.3            | 4.7             |
| Total operating expenses                                               | 649.9                                  | 557.7           | 84.3           | 85.3            |
| Income from equity investees                                           | 42.5                                   | 31.2            | 5.5            | 4.8             |
| Operating income                                                       | \$163.4                                | \$127.1         | 21.2 %         | 19.4 %          |
| Store operating expenses as a % of company-operated store revenues     |                                        |                 | 29.5 %         | 30.2 %          |
| Other operating expenses as a % of non-company-operated store revenues |                                        |                 | 24.1 %         | 20.1 %          |

## Revenues

China/Asia Pacific total net revenues for the first quarter of fiscal 2017 increased \$117 million, or 18% over the prior year period, primarily from higher company-operated store revenues (\$111 million), driven by incremental revenues from 373 net new company-operated store openings over the past 12 months (\$63 million). Also contributing was a 5% increase in comparable store sales (\$28 million) and favorable foreign currency translation (\$20 million).

Licensed store revenues increased \$6 million for the first quarter of fiscal 2017 due to increased product sales to and royalty revenues from licensees (\$8 million), primarily resulting from the opening of 630 net new licensed stores over the past 12 months, partially offset by unfavorable foreign currency translation (\$3 million).

## Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues decreased 130 basis points for the first quarter of fiscal 2017, primarily due to favorability from changes to certain business tax structures in China (approximately 130 basis points) and lower coffee costs (approximately 20 basis points).

Store operating expenses as a percentage of total net revenues decreased 30 basis points for the first quarter of fiscal 2017. As a percentage of company-operated store revenues, store operating expenses decreased 70 basis points for the first quarter, primarily due to sales leverage on salaries and benefits (approximately 110 basis points), partially offset by higher payroll-related expenditures and partner investments (approximately 70 basis points).

Other operating expenses as a percentage of total net revenues increased 20 basis points for the first quarter of fiscal 2017. Excluding the impact of company-operated store revenues, other operating expenses increased 400 basis points in the first quarter, primarily due to the timing of certain business taxes (approximately 200 basis points) and increased investment in our e-commerce business (approximately 110 basis points).

General and administrative expenses as a percentage of total net revenues increased 60 basis points for the first quarter of fiscal 2017, primarily due to continued focus on product quality and innovation (approximately 30 basis points).

Income from equity investees as a percentage of total net revenues increased 70 basis points for the first quarter of fiscal 2017, driven by higher income from our joint venture operations, primarily in South Korea and China (approximately 80 basis points and 50 basis points, respectively), partially offset by the shift in composition of our store portfolio to more company-operated stores (approximately 60 basis points).



Table of Contents

The combination of these changes resulted in an overall increase in operating margin of 180 basis points for the first quarter of fiscal 2017.

## EMEA

|                                                                        | Quarter Ended                              |                 |                |                 |
|------------------------------------------------------------------------|--------------------------------------------|-----------------|----------------|-----------------|
|                                                                        | Jan 1,<br>2017                             | Dec 27,<br>2015 | Jan 1,<br>2017 | Dec 27,<br>2015 |
|                                                                        | As a % of<br>EMEA<br>Total Net<br>Revenues |                 |                |                 |
| Net revenues:                                                          |                                            |                 |                |                 |
| Company-operated stores                                                | \$145.9                                    | \$218.9         | 55.6 %         | 69.9 %          |
| Licensed stores                                                        | 102.2                                      | 79.7            | 38.9           | 25.5            |
| Foodservice                                                            | 14.3                                       | 14.4            | 5.4            | 4.6             |
| Total net revenues                                                     | 262.4                                      | 313.0           | 100.0          | 100.0           |
| Cost of sales including occupancy costs                                | 136.1                                      | 151.4           | 51.9           | 48.4            |
| Store operating expenses                                               | 46.9                                       | 73.9            | 17.9           | 23.6            |
| Other operating expenses                                               | 16.0                                       | 14.8            | 6.1            | 4.7             |
| Depreciation and amortization expenses                                 | 7.6                                        | 11.5            | 2.9            | 3.7             |
| General and administrative expenses                                    | 11.7                                       | 14.5            | 4.5            | 4.6             |
| Total operating expenses                                               | 218.3                                      | 266.1           | 83.2           | 85.0            |
| Income from equity investees                                           | —                                          | 1.2             | —              | 0.4             |
| Operating income                                                       | \$44.1                                     | \$48.1          | 16.8 %         | 15.4 %          |
| Store operating expenses as a % of company-operated store revenues     |                                            |                 | 32.1 %         | 33.8 %          |
| Other operating expenses as a % of non-company-operated store revenues |                                            |                 | 13.7 %         | 15.7 %          |

## Revenues

EMEA total net revenues decreased \$51 million, or 16%, for the first quarter of fiscal 2017. The decrease was primarily due to a decline in company-operated store revenues (\$73 million), driven by the shift to more licensed stores in the region (\$48 million), which includes the absence of revenue related to the sale of our Germany retail operations in the third quarter of fiscal 2016, as well as unfavorable foreign currency translation (\$20 million).

Licensed store revenues increased \$23 million, or 28% due to higher product sales to and royalty revenues from our licensees (\$30 million), primarily resulting from the opening of 310 net new licensed stores and the transfer of 179 company-operated stores to licensed stores over the past 12 months, partially offset by unfavorable foreign currency translation (\$9 million).

## Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues increased 350 basis points for the first quarter of fiscal 2017, primarily due to unfavorable foreign currency transactions (approximately 230 basis points), the shift in the composition of our store portfolio to more licensed stores, which have a lower gross margin (approximately 70 basis points), and sales deleverage in certain company-operated stores (approximately 60 basis points).

Store operating expenses as a percentage of total net revenues decreased 570 basis points for the first quarter of fiscal 2017. As a percentage of company-operated store revenues, store operating expenses decreased 170 basis points in the first quarter, primarily driven by the shift in the portfolio towards more licensed stores (approximately 200 basis points).

Other operating expenses as a percentage of total net revenues increased 140 basis points for the first quarter of fiscal 2017. Excluding the impact of company-operated store revenues, other operating expenses decreased 200 basis points for the first quarter, primarily due to sales leverage driven by the shift to more licensed stores in the region (approximately 200 basis points).

Depreciation and amortization expense as a percentage of total net revenue decreased 80 basis points for the first quarter of fiscal 2017, primarily due to the shift in the portfolio towards more licensed stores (approximately 60 basis points).

Table of Contents

Income from equity investees as a percentage of total net revenue decreased 40 basis points for the first quarter of fiscal 2017 as a result of the sale of our ownership interest in our Spanish joint venture, Starbucks Coffee España, S.L., in the first quarter of fiscal 2016.

The combination of these changes resulted in an overall increase in operating margin of 140 basis points for the first quarter of fiscal 2017.

## Channel Development

|                                        | Quarter Ended  |                 |                |                 |                                        |   |
|----------------------------------------|----------------|-----------------|----------------|-----------------|----------------------------------------|---|
|                                        | Jan 1,<br>2017 | Dec 27,<br>2015 | Jan 1,<br>2017 | Dec 27,<br>2015 |                                        |   |
|                                        |                |                 | As a % of      |                 | Channel Development Total Net Revenues |   |
| Net revenues:                          |                |                 |                |                 |                                        |   |
| CPG                                    | \$437.1        | \$399.2         | 78.9           | %               | 78.0                                   | % |
| Foodservice                            | 116.6          | 112.9           | 21.1           |                 | 22.0                                   |   |
| Total net revenues                     | 553.7          | 512.1           | 100.0          |                 | 100.0                                  |   |
| Cost of sales                          | 288.5          | 285.4           | 52.1           |                 | 55.7                                   |   |
| Other operating expenses               | 60.4           | 60.3            | 10.9           |                 | 11.8                                   |   |
| Depreciation and amortization expenses | 0.6            | 0.7             | 0.1            |                 | 0.1                                    |   |
| General and administrative expenses    | 3.2            | 4.1             | 0.6            |                 | 0.8                                    |   |
| Total operating expenses               | 352.7          | 350.5           | 63.7           |                 | 68.4                                   |   |
| Income from equity investees           | 41.9           | 31.7            | 7.6            |                 | 6.2                                    |   |
| Operating income                       | \$242.9        | \$193.3         | 43.9           | %               | 37.7                                   | % |

## Revenues

Channel Development total net revenues for the first quarter of fiscal 2017 increased \$42 million, or 8%, primarily driven by higher sales of premium single-serve products (\$19 million) and U.S. packaged coffee (\$10 million), as well as increased sales through our international channels, primarily associated with our European and North American regions (\$8 million).

## Operating Expenses

Cost of sales as a percentage of total net revenues decreased 360 basis points for the first quarter, primarily driven by lower coffee costs (approximately 210 basis points) and leverage on cost of sales (approximately 110 basis points). Other operating expenses as a percentage of total net revenues decreased 90 basis points for the first quarter primarily driven by the lapping of costs associated with a conference held in the first quarter of fiscal 2016 (approximately 30 basis points), sales leverage on marketing expenses and salaries and benefits (approximately 20 basis points) and lower commissions expense (approximately 20 basis points).

Income from equity investees increased 140 basis points for the first quarter of fiscal 2017 due to higher income from our North American Coffee Partnership joint venture, primarily due to increased sales of Frappuccino® and Doubleshot® beverages and new product launches over the past 12 months, partially offset by increased marketing costs.

The combination of these changes resulted in an overall increase in operating margin of 620 basis points for the first quarter of fiscal 2017.

Table of Contents

## All Other Segments

|                                         | Quarter Ended |              |          |
|-----------------------------------------|---------------|--------------|----------|
|                                         | Jan 1, 2017   | Dec 27, 2015 | % Change |
| Net revenues:                           |               |              |          |
| Company-operated stores                 | \$70.9        | \$ 80.9      | (12.4)%  |
| Licensed stores                         | 0.9           | 1.1          | (18.2)   |
| CPG, foodservice and other              | 82.8          | 86.6         | (4.4 )   |
| Total net revenues                      | 154.6         | 168.6        | (8.3 )   |
| Cost of sales including occupancy costs | 90.4          | 95.3         | (5.1 )   |
| Store operating expenses                | 30.7          | 30.2         | 1.7      |
| Other operating expenses                | 17.5          | 23.7         | (26.2)   |
| Depreciation and amortization expenses  | 2.9           | 3.6          | (19.4)   |
| General and administrative expenses     | 3.5           | 9.9          | (64.6)   |
| Total operating expenses                | 145.0         | 162.7        | (10.9)   |
| Operating income                        | \$9.6         | \$ 5.9       | 62.7 %   |

All Other Segments primarily includes Teavana, Seattle's Best Coffee, Evolution Fresh, as well as certain developing businesses such as Siren Retail.

Table of Contents

## Quarterly Store Data

Our store data for the periods presented is as follows:

|                          | Net stores opened/(closed) and<br>transferred during the period |                 | Stores open as<br>of |                 |
|--------------------------|-----------------------------------------------------------------|-----------------|----------------------|-----------------|
|                          | Quarter Ended                                                   |                 |                      |                 |
|                          | Jan 1,<br>2017                                                  | Dec 27,<br>2015 | Jan 1,<br>2017       | Dec 27,<br>2015 |
| Americas                 |                                                                 |                 |                      |                 |
| Company-operated stores  | 75                                                              | 81              | 9,094                | 8,752           |
| Licensed stores          | 176                                                             | 90              | 6,764                | 6,222           |
| Total Americas           | 251                                                             | 171             | 15,858               | 14,974          |
| China/Asia Pacific       |                                                                 |                 |                      |                 |
| Company-operated stores  | 104                                                             | 90              | 2,915                | 2,542           |
| Licensed stores          | 199                                                             | 191             | 3,831                | 3,201           |
| Total China/Asia Pacific | 303                                                             | 281             | 6,746                | 5,743           |
| EMEA                     |                                                                 |                 |                      |                 |
| Company-operated stores  | (18 )                                                           | (39 )           | 505                  | 698             |
| Licensed stores          | 113                                                             | 118             | 2,232                | 1,743           |
| Total EMEA               | 95                                                              | 79              | 2,737                | 2,441           |
| All Other Segments       |                                                                 |                 |                      |                 |
| Company-operated stores  | (2 )                                                            | (1 )            | 356                  | 374             |
| Licensed stores          | 2                                                               | (2 )            | 37                   | 39              |
| Total All Other Segments | —                                                               | (3 )            | 393                  | 413             |
| Total Company            | 649                                                             | 528             | 25,734               | 23,571          |

## Financial Condition, Liquidity and Capital Resources

## Investment Overview

Our cash and investments totaled \$3.5 billion as of January 1, 2017 and \$3.4 billion as of October 2, 2016. We actively manage our cash and investments in order to internally fund operating needs, make scheduled interest and principal payments on our borrowings, make acquisitions, and return cash to shareholders through common stock cash dividend payments and share repurchases. Our investment portfolio primarily includes highly liquid available-for-sale securities, including corporate debt securities, government treasury securities (foreign and domestic), mortgage and asset-backed securities, state and local government obligations and agency obligations. As of January 1, 2017, approximately \$1.8 billion of our cash and investments were held in foreign subsidiaries.

## Borrowing Capacity

Our \$1.5 billion unsecured, revolving credit facility with various banks, of which \$150 million may be used for issuances of letters of credit, is available for working capital, capital expenditures and other corporate purposes, including acquisitions and share repurchases, and is currently set to mature on November 6, 2020. Starbucks has the option, subject to negotiation and agreement with the related banks, to increase the maximum commitment amount by an additional \$750 million. Borrowings under the credit facility will bear interest at a variable rate based on LIBOR, and, for U.S. dollar-denominated loans under certain circumstances, a Base Rate (as defined in the credit facility), in each case plus an applicable margin. The applicable margin is based on the better of (i) the Company's long-term credit ratings assigned by Moody's and Standard & Poor's rating agencies and (ii) the Company's fixed charge coverage ratio, pursuant to a pricing grid set forth in the credit agreement. The current applicable margin is 0.565% for Eurocurrency Rate Loans and 0.00% (nil) for Base Rate Loans. The credit facility contains provisions requiring us to maintain compliance with certain covenants, including a minimum fixed charge coverage ratio, which measures our ability to cover financing expenses. As of January 1, 2017, we were in compliance with all applicable covenants. No amounts were outstanding under our credit facility as of January 1, 2017.

Under our commercial paper program, we may issue unsecured commercial paper notes up to a maximum aggregate amount outstanding at any time of \$1 billion, with individual maturities that may vary but not exceed 397 days from the date of issue. Amounts outstanding under the commercial paper program are required to be backstopped by available commitments under our credit facility discussed above. The proceeds from borrowings under our commercial paper program may be used for working

## Table of Contents

capital needs, capital expenditures and other corporate purposes, including, but not limited to, business expansion, payment of cash dividends on our common stock and share repurchases. As of January 1, 2017, we had no outstanding borrowings under our commercial paper program.

The indentures under which all of our Senior Notes were issued, as detailed in Note 7, Debt, to the condensed consolidated financial statements included in Item 1 of Part I of this 10-Q, require us to maintain compliance with certain covenants, including limits on future liens and sale and leaseback transactions on certain material properties. As of January 1, 2017, we were in compliance with all applicable covenants.

### Use of Cash

We expect to use our available cash and investments, including, but not limited to, additional potential future borrowings under the credit facility and commercial paper program, to invest in our core businesses, including capital expenditures, new product innovations, related marketing support and partner and digital investments, return cash to shareholders through common stock cash dividend payments and share repurchases, as well as other new business opportunities related to our core businesses. Further, we may use our available cash resources to make proportionate capital contributions to our investees. We may also seek strategic acquisitions to leverage existing capabilities and further build our business in support of our growth agenda. Acquisitions may include increasing our ownership interests in our investees. Any decisions to increase such ownership interests will be driven by valuation and fit with our ownership strategy.

We believe that future cash flows generated from operations and existing cash and investments both domestically and internationally will be sufficient to finance capital requirements for our core businesses in those respective markets as well as shareholder distributions for the foreseeable future. Significant new joint ventures, acquisitions and/or other new business opportunities may require additional outside funding. We have borrowed funds domestically and continue to believe we have the ability to do so at reasonable interest rates; however, additional borrowings would result in increased interest expense in the future.

We consider the majority of undistributed earnings of our foreign subsidiaries and equity investees as of January 1, 2017 to be indefinitely reinvested and, accordingly, no U.S. income and foreign withholding taxes have been provided on such earnings. We have not, nor do we anticipate the need to, repatriate funds to the U.S. to satisfy domestic liquidity needs; however, in the event that we need to repatriate all or a portion of our foreign cash to the U.S., we would be subject to additional U.S. income taxes, which could be material. We do not believe it is practicable to calculate the potential tax impact of repatriation, as there is a significant amount of uncertainty around the calculation, including the availability and amount of foreign tax credits at the time of repatriation, tax rates in effect and other indirect tax consequences associated with repatriation.

As discussed in Note 7, Debt, to the condensed consolidated financial statements included in Item 1 of Part I of this 10-Q, our \$400 million of 0.875% Senior Notes (the "2016 notes") were repaid in our first quarter of fiscal 2017. Additionally, during the first quarter of fiscal 2017, our Board of Directors declared a quarterly cash dividend to shareholders of \$0.25 per share to be paid on February 24, 2017 to shareholders of record as of the close of business on February 9, 2017. We repurchased 7.6 million shares of common stock (\$413.7 million) during the first quarter of fiscal 2017 under our ongoing share repurchase program. The number of remaining shares authorized for repurchase as of January 1, 2017 totaled 110.2 million.

Other than normal operating expenses, cash requirements for the remainder of fiscal 2017 are expected to consist primarily of capital expenditures for new company-operated stores; remodeling and refurbishment of, and equipment upgrades for, existing company-operated stores; systems and technology investments in the stores and in the support infrastructure; and additional investments in manufacturing capacity. Total capital expenditures for fiscal 2017 are expected to be approximately \$1.6 billion.

### Cash Flows

Cash provided by operating activities was \$1.5 billion for the first quarter of fiscal 2017, compared to \$1.6 billion for the same period in fiscal 2016. The change was primarily due to the timing of our cash payments for income taxes, partially offset by increased earnings.

Cash used by investing activities for the first quarter of fiscal 2017 totaled \$401.5 million, compared to \$360.1 million for the first quarter of fiscal 2016. The change was primarily due to the net increase in purchases of investments.

Cash used by financing activities for the first quarter of fiscal 2017 totaled \$1.2 billion, compared to \$528.7 million for the same period in fiscal 2016. The change was primarily due to the repayment of the 2016 notes, as discussed above, as well as an increase in cash returned to shareholders through share repurchases and dividend payments.

## Table of Contents

### Contractual Obligations

In Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 10-K, we disclosed that we had \$13.3 billion in total contractual obligations as of October 2, 2016. Other than the repayment of \$400 million of long-term debt in the first quarter of fiscal 2017, as described in Note 7, Debt, to the condensed consolidated financial statements included in Item 1 of Part I of this 10-Q, there have been no material changes to our total obligations during the period covered by this 10-Q outside of the normal course of our business.

### Off-Balance Sheet Arrangements

There has been no material change in our off-balance sheet arrangements discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 10-K.

### Commodity Prices, Availability and General Risk Conditions

Commodity price risk represents our primary market risk, generated by our purchases of green coffee and dairy products, among other items. We purchase, roast and sell high-quality arabica coffee and related products and risk arises from the price volatility of green coffee. In addition to coffee, we also purchase significant amounts of dairy products to support the needs of our company-operated stores. The price and availability of these commodities directly impacts our results of operations, and we expect commodity prices, particularly coffee, to impact future results of operations. For additional details, see Product Supply in Item 1 of the 10-K, as well as Risk Factors in Item 1A of the 10-K.

### Seasonality and Quarterly Results

Our business is subject to moderate seasonal fluctuations, of which our fiscal second quarter typically experiences lower revenues and operating income. Additionally, as Starbucks Cards are issued to and loaded by customers during the holiday season, we tend to have higher cash flows from operations during the first quarter of the fiscal year. However, since revenues from Starbucks Cards are recognized upon redemption and not when cash is loaded onto the Card, the impact of seasonal fluctuations on the consolidated statements of earnings is much less pronounced. As a result of moderate seasonal fluctuations, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

### RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1, Summary of Significant Accounting Policies, to the condensed consolidated financial statements included in Item 1 of Part I of this 10-Q, for a detailed description of recent accounting pronouncements.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the commodity price risk, foreign currency exchange risk, equity security price risk or interest rate risk discussed in Item 7A of the 10-K.

### Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

During the first quarter of fiscal 2017, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of the disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective, as of the end of the period covered by this report (January 1, 2017). There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that materially affected or are reasonably likely to materially affect internal control over financial reporting.

The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits 31.1 and 31.2 to this 10-Q.



Table of Contents

## PART II — OTHER INFORMATION

## Item 1. Legal Proceedings

Starbucks is party to various legal proceedings arising in the ordinary course of business, including, at times, certain employment litigation cases that have been certified as class or collective actions, but is not currently a party to any legal proceeding that management believes could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

## Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in the 10-K.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Information regarding repurchases of our common stock during the quarter ended January 1, 2017:

| Period <sup>(1)</sup>                | Total<br>Number of<br>Shares<br>Purchased | Average<br>Price<br>Paid per<br>Share | Total Number<br>of Shares<br>Purchased as<br>Part of Publicly<br>Announced<br>Plans or<br>Programs <sup>(2)</sup> | Maximum<br>Number of<br>Shares that May<br>Yet Be<br>Purchased<br>Under the Plans<br>or Programs |
|--------------------------------------|-------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| October 3, 2016 — October 30, 2016   | 3,626,682                                 | \$ 53.32                              | 3,626,682                                                                                                         | 114,222,879                                                                                      |
| October 31, 2016 — November 27, 2016 | 2,408,132                                 | 53.39                                 | 2,408,132                                                                                                         | 111,814,747                                                                                      |
| November 28, 2016 — January 1, 2017  | 1,600,000                                 | 57.33                                 | 1,600,000                                                                                                         | 110,214,747                                                                                      |
| Total                                | 7,634,814                                 | \$ 54.18                              | 7,634,814                                                                                                         |                                                                                                  |

<sup>(1)</sup> Monthly information is presented by reference to our fiscal months during the first quarter of fiscal 2017.

<sup>(2)</sup> Share repurchases are conducted under our ongoing share repurchase program announced in September 2001, which has no expiration date.

Table of Contents

## Item 6. Exhibits

| Exhibit No. | Exhibit Description                                                                                                                                                                                                                                                                                                                                                                                           | Incorporated by Reference |          |                |                               |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------|----------------|-------------------------------|
|             |                                                                                                                                                                                                                                                                                                                                                                                                               | Form                      | File No. | Date of Filing | Exhibit Number Filed Herewith |
| 3.1         | Restated Articles of Incorporation of Starbucks Corporation                                                                                                                                                                                                                                                                                                                                                   | 10-Q                      | 203224   | 4/28/2015      | 3.1                           |
| 3.2         | Amended and Restated Bylaws of Starbucks Corporation (As amended and restated through September 13, 2016)                                                                                                                                                                                                                                                                                                     | 8-K                       | 203229   | 9/16/2016      | 3.1                           |
| 31.1        | Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                                                          | —                         | —        | —              | —                             |
| 31.2        | Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                                                          | —                         | —        | —              | —                             |
| 32*         | Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                                                        | —                         | —        | —              | —                             |
| 101         | The following financial statements from the Company's 10-Q for the fiscal quarter ended January 1, 2017, formatted in XBRL: (i) Condensed Consolidated Statements of Earnings, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Condensed Consolidated Financial Statements | —                         | —        | —              | —                             |

\* Furnished herewith.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

January 31, 2017

STARBUCKS CORPORATION

By: /s/ Scott Maw

Scott Maw

executive vice president, chief financial officer

Signing on behalf of the registrant and as

principal financial officer