

Starbucks

Business



Starbucks The company that is of interest to me is Starbucks. Besides being a Starbucks coffee drinker, I am impressed by its outstanding growth throughout the years. I am very much interested with their financial performance over the years. I would also like to determine whether Starbucks will be a good investment for the future. The first Starbucks store opened in Pike Place, Seattle in 1971 as a coffee bean roaster and retailer. It was a joint venture of two teachers and one writer. In 1982, Howard Schultz joined Starbucks and introduced the idea of selling coffee drinks in the store. Schultz felt that there was a larger market in selling prepared drinks. Initially, the original partners were against this idea, so Schultz started his own coffee bar chain, Il Giornale in 1986. In 1987, Starbucks Coffee Company was sold to Schultz and all the Il Giornale coffee shops were rebranded as Starbucks. By 1992, Starbucks had its initial public offering with 165 outlets. Today, Starbucks has almost 17, 000 stores in over 50 countries. It has also taken over several companies including Seattle Coffee Company, Seattle's Best Coffee, Diedrich Coffee and Coffee People. Net revenues for Starbucks reached a record of \$10. 71 billion in 2010, which is a 9. 5% growth from 2009's \$9. 77 billion. The company also reported an impressive 59% increase in their net income from \$390. 8 million in 2009 to \$945. 6 million in 2010. The company's earnings per share grew from \$0. 52 in 2009 to \$1. 24 in 2010. Total assets for 2010 increased to \$6. 39 billion from \$5. 58 billion in 2009, representing a 13% growth. Compared to total assets, total liabilities grew only by 6. 7% to \$2. 70 billion from \$2. 52 billion in 2009. Stockholders' equity rose to \$3. 68 billion in 2010 from \$3. 06 billion, a positive growth of 16. 8%. For the first time in the history of Starbucks, they were able to declare their first ever cash dividend of \$0. 36 per share in

<https://assignbuster.com/starbucks-essay-samples-3/>

2010. The annual report of Starbucks for the fiscal year 2010 was audited by Deloitte Touche LLP. They have expressed an unqualified opinion on the Company's internal control over financial reporting. Management considers 2010 a very good year. They were able to increase the efficiency and effectiveness of their supply chain toward world-class levels in 2010. It was also during this year that they launched the Starbucks VIA Ready Brew, and their current platform of products such as the Iced, Flavored, and Christmas Blend. Starbucks has also reduced product cost and waste but at the same time improved customer satisfaction. The profitability of their international business continues to improve through supply chain efficiencies. Starbucks is very optimistic for the year 2011. They plan to open approximately 500 new stores globally, 100 in the US and 400 internationally. They will invest in emerging markets such as China and Brazil. Starbucks also foresees an expansion in their Consumer Products Group (CPG) segment. The primary market risk that Starbucks will face in the coming year is the commodity price risk of coffee and dairy products. Foreign exchange currency risk is also a concern because of its international operations. After an analysis of the financials of Starbucks, I think that it is very good investment for the future because of its growth potential. Although its US market may already be saturated, its overseas market is not yet saturated. Its 40-year history of providing exceptional coffee, world-class customer experience, commitment to its partners (employees) and dedication as a responsible corporate citizen is more than enough reason to invest in the company. I do not think I can go wrong with Starbucks! Work Cited Starbucks Corporation Annual Report Fiscal 2010. Web. 7 May 2011. [http://www. sec.](http://www.sec.gov/Archives/edgar/vpr/11/9999999997-11-000832)

[gov/Archives/edgar/vpr/11/9999999997-11-000832](http://www.sec.gov/Archives/edgar/vpr/11/9999999997-11-000832)

<https://assignbuster.com/starbucks-essay-samples-3/>