

Starbucks Corporation (SBUX)

Long Trade Pitch | Q2 FY2026 Earnings Catalyst

RECOMMENDATION	ENTRY	PRICE TARGET	HORIZON	UPSIDE
LONG	\$82	\$98	3–6 Mo.	+19.5%

Situation Overview

Why SBUX — and why now?

The Setup

- SBUX has posted **7 consecutive quarters of same-store sales declines** — the longest streak in modern company history
- Shares have de-rated from ~\$110 in 2023 to a trading range of \$78–\$86 heading into Q2 FY2026 earnings
- New CEO Brian Niccol (formerly of Chipotle) was hired in September 2024 to execute a turnaround — the market has not yet priced in success
- Q2 FY2026 earnings represent the first quarter where Niccol's operational changes have had a full two-quarter runway to show up in the numbers

Our View

The comp decline is inflecting. First-hand channel checks across campus and urban locations suggest improving throughput and reduced mobile order wait times — two of Niccol's stated operational priorities. The setup is asymmetric: a beat + guidance raise re-rates the stock toward \$98+; a miss is largely priced in at current levels.

Catalyst Analysis

Q2 FY2026 Earnings — The Inflection Quarter

Metric	Q2 FY2025 (Actual)	Consensus Est.	Our Estimate	Key Driver
Global SSS Growth	-2.0%	-0.5%	+1.2%	Throughput improvement
U.S. SSS Growth	-2.9%	-0.8%	+0.9%	Portfolio rationalization
Revenue (\$B)	\$8.56	\$8.81	\$8.95	Volume + pricing
Non-GAAP EPS	\$0.68	\$0.72	\$0.76	Opex discipline
Operating Margin	14.4%	15.2%	15.8%	Labor efficiency

Source: Company filings, FactSet consensus, analyst estimates (illustrative)

Investment Thesis

Three Reasons to Be Long

1. Niccol Has a Playbook That Works

Brian Niccol transformed Chipotle from a food-safety crisis into a best-in-class fast casual operator. His priorities at SBUX — simplifying the menu, fixing mobile order flow, and closing underperforming locations — directly address the structural issues that drove the comp declines. Early data suggests the fixes are working.

2. First-Hand Channel Checks Support the Inflection

Campus Starbucks closures observed through Spring 2026 are consistent with Niccol's stated strategy of portfolio rationalization — removing low-volume, high-cost locations to concentrate traffic. Remaining locations show meaningfully shorter mobile order wait times vs. Fall 2025.

3. Valuation Does Not Reflect a Successful Turnaround

SBUX currently trades at 21x NTM earnings vs. a 5-year historical average of 28x. Even partial normalization to 25x on recovering EPS implies a \$98 price target. The stock does not need a perfect recovery — it just needs to stop getting worse.

Valuation & Price Target

Methodology	Implied Price	Weight	Weighted Value
NTM P/E (25x on \$3.92E EPS)	\$98	50%	\$49
EV/EBITDA (14x on \$6.8B EBITDA)	\$94	30%	\$28
DCF (WACC 8.5%, TGR 2.5%)	\$101	20%	\$20
Blended Price Target		100%	\$97 (~\$98)

Risk / Reward

Scenario	SSS Assumption	EPS	P/E	Price	Return
Bull	+3.0%	\$4.20	28x	\$118	+44%
Base	+1.2%	\$3.92	25x	\$98	+20%
Bear	-1.5%	\$3.40	20x	\$68	-17%

Risks & Conclusion

Key Risks

- **Turnaround Fails to Materialize:** If SSS remain negative in Q2, the thesis breaks and the stock likely re-tests \$72–\$75 support
- **Consumer Spending Weakness:** A macro slowdown could disproportionately impact SBUX's premium price points relative to QSR peers
- **Execution Risk on Store Closures:** Aggressive portfolio rationalization could temporarily pressure reported comps before the benefit is visible
- **Labor Cost Inflation:** SBUX's unionization efforts and rising minimum wages add uncertainty to the margin recovery trajectory

Conclusion

SBUX at \$82 is a compelling risk/reward setup into Q2 earnings. The stock has de-rated through a period of peak operational dysfunction, and Brian Niccol's track record and early execution give us confidence the inflection is real. First-hand channel checks support the data. Entry at \$82, target \$98, with a clear exit if Q2 SSS miss consensus.