

Transcripts

Consumer

Starbucks Corporation (SBUX) Q2 2026 Earnings Call Transcript

Apr 28, 2026, 10:21 PM ET | Starbucks Corporation (SBUX) Stock, SBUX:CA Stock

**SA Transcripts**

159.64K Followers

Q2: 2026-04-28 Earnings Summary

Insights



EPS of \$0.50 **beats by \$0.06** | Revenue of \$9.53B (8.79% Y/Y) **beats by \$305.60M**

Starbucks Corporation ([SBUX](#)) Q2 2026 Earnings Call April 28, 2026 4:15 PM EDT

Company Participants

Catherine Park - Vice President of Investor Relations

Brian Niccol - Chairman & CEO

Catherine Smith - Executive VP, CFO & Principal Accounting Officer

Conference Call Participants

Brian Harbour - Morgan Stanley, Research Division

Sara Senatore - BofA Securities, Research Division

David Tarantino - Robert W. Baird & Co. Incorporated, Research Division

David Palmer - Evercore ISI Institutional Equities, Research Division

Lauren Silberman - Deutsche Bank AG, Research Division

Christopher O'Cull - Stifel, Nicolaus & Company, Incorporated, Research Division

Peter Saleh - BTIG, LLC, Research Division

John Ivankoe - JPMorgan Chase & Co, Research Division

Jeffrey Bernstein - Barclays Bank PLC, Research Division

Sharon Zackfia - William Blair & Company L.L.C., Research Division

Presentation

Operator

Good afternoon. My name is Diego, and I will be your conference operator today. I would like to welcome everyone to Starbucks Second Quarter Fiscal Year 2026 Conference Call. [Operator Instructions]

I will now turn the call over to Catherine Park, Vice President of Investor Relations. Ms. Park, you may now begin your conference.

Catherine Park

Vice President of Investor Relations

Good afternoon, and thank you for joining us today to discuss Starbucks' Second Quarter Fiscal Year 2026 results. Today's discussion will be led by Brian Niccol, Chairman and Chief Executive Officer, and Cathy Smith, Executive Vice President and Chief Financial Officer.

This conference call will include forward-looking statements, which are subject to various risks and uncertainties that could cause our actual results to differ from these statements. Any such statements should be considered in conjunction with cautionary statements in our earnings release and the risk factors discussed in our filings with the SEC, including our latest annual report on Form 10-K and quarterly report on Form 10-Q. Starbucks assumes no obligation to update any of these forward-looking statements or information.

All metrics referenced on today's call are non-GAAP and measured in constant currency. Please refer to the earnings release on our website at investor.starbucks.com to find reconciliations of these non-GAAP measures to the corresponding GAAP measures and supplemental financial information. As a reminder, the financial results discussed on today's call reflect the consolidation of Starbucks China as our transaction closed after the second quarter.

This conference call is being webcast, and an archive of the webcast will be available on our website through Friday, June 12, 2026, and for your calendar planning purposes, please note that our third quarter fiscal year 2026 earnings conference call is tentatively scheduled for Wednesday, July 29, 2026. I'll now turn the call over to Brian.

Brian Niccol

Chairman & CEO

Good afternoon, and thanks for joining. I want to start with the headline. Q2 marked a milestone for the business. We delivered growth on both the top and bottom line for the first time in more than 2 years. Consolidated second quarter company revenue was \$9.5 billion, up 8% (sic) [9%] year-over-year. Global comps were a strong 6% driven by terrific performance across the business, especially in the U.S., and our consolidated operating margin improved to 9.4%, up about 110 basis points. And as a result, earnings grew year-over-year. Positive comp trends have continued through April, and this gives us the confidence to take up our fiscal 2026 guidance for global comp growth to 5% or better and earnings per share to \$2.25 to \$2.45.

We believe this quarter reflects the turn in our turnaround, but we know there is more work to be done. Our Back to Starbucks strategy is working because we're executing with rigor and focus and the outcomes are showing up in real and visible ways. Thanks to our partners and the craft, connection and sense of community they deliver for our customers. This is Starbucks.

Green Apron Service is setting the standard for world-class customer service. We're winning the morning and building the afternoon with great craft and speed across every access point. Our Green Apron partners are creating more moments of connection with every cup served and our support teams are leaner and faster and built around a culture of listening, learning and acting with intention. Our menu innovation is exciting and moving at the speed of culture. The third place is alive and well in every coffeehouse. And soon, the design aesthetic of our cafes will match the feeling you get in them. Our Starbucks Rewards program is more rewarding and there is trust in our coffeehouse leaders to run their business and create community. And the best job in retail keeps getting better.

Our brand is showing up in more places and the shine is back on Starbucks around the world. This is the Starbucks we're building, the Starbucks customers deserve, the Starbucks our partners are proud to call theirs; and the Starbucks, we believe will deliver strong performance quarter after quarter.

As shared, we grew both the top and bottom line in the second quarter. So let me break down how we achieved these results. North America led our comp performance with both North America and U.S. comps accelerating to more than 7%, driven by over 4 percentage points of transaction growth. We haven't seen this transaction strength in 3 years. Our U.S. company-operated business grew transactions across all dayparts, with mornings now roughly back to fiscal 2022 levels and we saw broad-based spend growth across all income levels and age demographics.

Our delivery business also contributed to both comp ticket and transaction growth in the quarter. We expanded delivery access across our U.S. company-operated portfolio last fiscal year, and it's proven to be a largely incremental revenue stream, growing more than 30% year-to-date across our U.S. company-operated business.

International revenues grew nearly 8% year-over-year as momentum built globally. Comparable sales increased nearly 3%, and our top 10 international markets, including China, all posted positive comps for the first time in 9 quarters. This combination of sales growth, operating leverage and cost management translated into an EPS of \$0.50, up approximately 22% year-over-year. We said we will grow the top line first and margin and earnings growth would follow. Q2 is proof our strategy is working.

Starting in the coffeehouse, we focused on continued improvements to staffing, scheduling, technology and leadership to make Green Apron Service work more reliably every day. As a result, in the quarter, customer experience scores continue to rise. Customer service times remained on target even with the greater transaction volumes. And in May, we're rolling out a new feature in our app that lets customers schedule their order pickup time. We expect this enhancement will bring even more order and predictability to mobile order.

Since launching the Grow program, which is our simplified coffeehouse reporting and ranking system back in October, the share of U.S. company-operated coffeehouses delivering 4 or more shots has increased over 30 percentage points. This progress reflects clear standards, strong performance and more consistent execution from our coffeehouse teams.

The Grow report has become a great new tool to evaluate performance and target improvements and it's helped put us on our way to being the industry-defining customer service and experienced company. Partners felt the difference as well. Confidence on the floor improved with healthy rosters and growing leadership stability and our data shows that coffeehouse leader stability is highly correlated to store performance. In Q2, 80% of our 5-shot coffeehouses had a leader who had been enrolled for more than a year.

We also announced new ways for partners to share in our success. During the quarter, we announced we would shift to weekly pay and introduced a new quarterly reward program for baristas and shift supervisors. This program recognizes coffeehouse teams for strong performance across sales, operations and customer service.

Looking ahead, we'll continue to strengthen the supply chain behind Green Apron Service. Our focus is on improving costs, availability, flow and accuracy to meet our pace of innovation and support consistent execution as our business grows. Our goal is really simple. If it's on the menu, customers should be able to order it. We're also tackling technology, equipment and process improvements to enable even better craft, connection and speed.

Second, our disciplined menu innovation, energized marketing and redesigned Starbucks Rewards program continue to drive demand. Our lean organizational structure is allowing us to innovate and execute quickly. This is already showing up in the pace of our menu innovation in the quarter, which included new bakery items and an elevated bake case, premium Matcha beverages and our 1971 Dark Roast coffee. It's innovation focused on what customers want, geared for both the morning and afternoon occasion and built for easy execution in our coffeehouses. In April, we launched new energy refreshers and our new mango flavor. Both have exceeded our expectations and strengthen a proven \$2 billion platform. Customers can now tailor the caffeine level of the refresher with the same ease and flexibility as flavors, creating more reasons for customers to visit later in the day. We'll continue to build on a refresher platform through the year, and even more flavors and blended versions as well.

Our upcoming summer menu features innovative drinks and merchandise that build on our iconic platforms and mixes soon to be favorites with returning classics. It's designed around what customers want in both the morning and afternoon. A highlight includes the tropical butterfly refresher with a striking look and refreshing flavor and like other refreshers, it will be available with customizable energy. We believe it's a great way to kick off this summer.

Marketing continues to amplify our brand as well. We're back in culture, whether it's major music moments like Coachella, global stages like the Winter Olympics or tech platforms like ChatGPT. We're engaging with customers in ways that feel authentic and distinctly Starbucks and is helping deepen brand loyalty and fuel fandom. U.S. 90-day active Starbucks Rewards membership reached a record 35.6 million with both rewards member and nonmember transactions growing year-over-year.

Our new 60-star redemption option has become our most used reward, accounting for approximately 1/3 of all redemptions. And while still early, we've seen a growing number of customers visit 4 or more times a week since launching last month. We've made Starbucks Rewards a growth engine again, positioning it to drive new customer routines, deeper engagement and increased frequency. And that connection is showing up in the brand. Brand affinity continued to rise in the second quarter, reaching 5-year highs in consideration and purchase intent. Gains were led by Gen Z and millennials and more customers now believe their Starbucks purchase is worth it compared to a year ago. This shows what Starbucks continues to become, more visible, relevant and loved.

Third, customers are responding to a great coffeehouse experience. Coffeehouse uplifts are driving positive customer feedback and transaction trends, reinforcing the role of the coffeehouse experience in our return to growth. We're investing in that experience at scale with more than 300 uplifts now complete on budget and with 0 closure days. We're accelerating this work over the next 2 quarters and expect to have more than 1,000 uplifts completed in our top 20 markets by fiscal year-end. Our return to growth has also sharpened how we manage our coffeehouse portfolio. The Grow report paired with improving company-wide comp trends is helping us more clearly identify outliers, focus resources and raise standards across the system. We're also applying the same level of discipline to coffeehouse development as we reset our portfolio and begin ramping unit growth.

Finally, broad-based momentum across our international markets in Q2 highlighted the strength and resiliency of our global brand. Japan had an outstanding quarter, led by a record sales week over New Year's, robust tourism and strong additions to our menu. And in South Korea, our Aerocano launch in February drove incredible demand with more than 1 million cups sold in its first week. China delivered transaction-led comp growth for the fourth consecutive quarter as Starbucks remained the top away-from-home coffee choice for Chinese consumers. We also completed our transaction with Boyu after the close of our fiscal quarter, bringing together Starbucks globally trusted brand with Boyu's local market expertise to unlock attractive long-term opportunities in China. With a rebased portfolio, the Starbucks China team is eager to step back into growth, with plans to expand Starbucks footprint from over 1,000 county-level cities today to more than 1,500 in the next 3 years.

As our International business moves towards a nearly 90% license model, we're simplifying our structure and strengthening how we support our business partners. This puts decisions closer to customers and local markets, and it lets us focus on setting standards and sharing best practices. It's a model built for speed, accountability and scale. Taken together, we're encouraged by the progress we've seen across key markets during the quarter, and we're confident in the role of our international portfolio as a durable growth engine over time.

So to conclude, Q2 marked a significant step forward in our turnaround. We delivered growth on both the top and bottom line, reflecting strong execution of our Back to Starbucks plan. Operational discipline is working with labor, throughput and availability moving together and with brand momentum translating into comp growth. Our focus now is on sustaining our momentum and making our results repeatable and durable, all while delivering a healthy cost structure that supports profitable growth. It's how we turn progress into consistent results, and that's how we create long-term shareholder value. This is Starbucks. There is more work ahead and we're focused on it. Our priorities are clear, the organization is aligned, and we're confident in the opportunities ahead. We're building a company that learns as it executes, one that stays close to the coffeehouse, moves quickly to scale what's working and keeps getting better over time. We know the path forward will not be linear, but it is clear the changes we're making and the momentum we're building are starting to compound.

I want to say thank you to our partners around the world for the leadership, discipline and care they bring to our coffeehouses every day. You delivered these results, and you should be proud. With that, I'll turn it over to Cathy to walk through the financials in more detail.

Catherine Smith

Executive VP, CFO & Principal Accounting Officer

Thank you, Brian, and thank you all for joining today. Our second quarter results demonstrate the progress we're making on both the top and bottom line to support lasting profitable growth in our business. I'm grateful to our partners across our coffeehouses, supply chain and support centers whose commitment and passion are delivering the best of Starbucks to our customers every day.

I'll now share our Q2 results and then provide additional insight into the months ahead. Our Q2 consolidated revenue was \$9.5 billion, up 8% (sic) [9%] to the prior year. Global comparable store sales grew 6.2%, driven by continued strong performance across both our North America and International segments. As of March 29, we had 41,129-Starbucks in our global portfolio with 11 net new coffeehouses in the quarter. Our North America segment revenues grew 6% in the quarter to \$6.9 billion with comparable store sales growing 7.1%. And in the U.S., our comparable store sales growth also accelerated to 7.1% led by transactions up more than 4%. Average ticket grew nearly 3%, driven by a combination of our growing delivery business, beverage mix, our artisanal bakery launch driving greater food attach and the continued popularity of modifications led by our Cold Foam platform.

Cold Foam, our leading modifier, continues to grow in popularity, with platform sales up more than 40% in Q2 across our U.S. company-operated business. Innovation across new flavors and the introduction of protein have further strengthened the appeal of Cold Foam, especially among Gen Z. We also believe Free Mod Mondays as part of our new Starbucks Rewards program will continue to support its growth. Our comp performance reflects our strengthening business fundamentals, world-class customer service through Green Apron Service, menu innovation that shows up in a welcoming third place and a strong, relevant brand supported by our marketing and rewards program. This is the Starbucks that drives durable growth.

Our 90-day active Starbucks Rewards program grew to 35.6 million members in Q2, up 4% year-over-year. We saw steady member growth from Q1 to Q2, which is a positive shift from prior year seasonal sequential declines. Members are adapting quickly to our new loyalty program. And while early, we're encouraged by the level of engagement we're driving across tiers. Also, since launch, both the rate and volume of U.S. card loads have grown steadily, exceeding our expectations. Overall, our North America store base grew by 25 net new coffeehouses to 18,385 at the end of the quarter. This included 44 net new openings across our company-operated business as well as 19 net closures in our licensed store portfolio.

Our North America licensed revenues were roughly flat year-over-year, reflecting these net store closures in the quarter. Notably, U.S. licensed stores returned to positive system-wide comps for the first time since Q1 fiscal 2024. This was led by record airport volumes and growth in other discretionary segments, together with continued recovery in retail and grocery.

Moving to International. The segment reported \$2.1 billion of net revenues in the second quarter, growing nearly 8% year-over-year. International comp sales grew 2.6%, once again led by transactions which were up over 2% in the quarter. As Brian mentioned, all 10 of our largest international markets, including China, Japan, South Korea and Mexico, delivered positive comps for the first time in 9 quarters. Of note, Starbucks China delivered another quarter of transaction-led growth with comps up 50 basis points on transaction growth of more than 2%. On a 2-year basis, comps were stable sequentially versus Q1, smoothing out the timing of the Lunar New Year.

Our International store portfolio was 22,744 at the end of the second quarter, down 14 net coffeehouses from Q1. This includes the impact of 55 store closures as part of last September's portfolio decisions. We'll get to guidance shortly. But as we look to the rest of the fiscal year, we're well positioned together with our international licensee partners to return to net unit growth.

In Channel Development, our Q2 net revenues grew 38% year-over-year primarily due to higher revenues from the Global Coffee Alliance. Our new multi-serve Refreshers concentrate which we introduced in North America last quarter is shaping up to be our largest CPG launch in over a decade with strong customer reception and repeat purchase behavior. At the end of Q2, we also launched coffee and protein ready-to-drink beverages, complementing our growing protein platform in our coffeehouses.

Moving to margin. Our Q2 consolidated operating margin was 9.4%, improving 110 basis points from the prior year. This was our first quarter of consolidated margin expansion since Q1 fiscal 2024 led by the International segment. International operating margin grew by approximately 790 basis points to 20.3% as the segment continues its broader recovery. As expected, approximately half of our international margin expansion was driven by held-for-sale accounting related to Starbucks China, which temporarily reduced store operating expenses and D&A by approximately \$118 million in the quarter. This dynamic concluded at the start of Q3 with the transactions closed.

In North America, our Q2 operating margin contracted approximately 170 basis points to 10.2% as our progress on operating leverage and cost discipline continued to partially offset our annualizing investments in Green Apron Service. Our North America margins in the quarter were also impacted by roughly 190 basis points of product and distribution cost increases as a percentage of revenues and greater-than-anticipated legal accruals. About half of the product and distribution increase was driven by innovation-led product mix, and the remaining balance was inflation largely related to tariffs and elevated coffee prices. While market dynamics can change, we expect these tariff and coffee pressures to moderate in the back half of fiscal 2026, especially given recent trends in coffee prices. As a reminder, our results typically lag the market, both upward and downward due to our coffee purchasing and hedging practices.

And finally, consolidated G&A in the quarter decreased 5.5% as our organizational streamlining efforts continue to actualize this fiscal year. Our Q2 effective tax rate rose to 27.1%, primarily due to taxes accrued in advance of the planned sale of Starbucks China's retail business. Higher pretax earnings and related permanent and discrete tax items also contributed to the increase. All in, Q2 earnings per share grew 22% year-over-year to \$0.50, our first quarter of EPS growth in more than 2 years.

Before we discuss our outlook, I'd like to spend a few moments on China. Our previously announced transaction with Boyu Capital closed shortly after quarter end. Beginning in Q3, the retail operations of Starbucks China will be deconsolidated from our financials and will be reported as part of our broader licensed portfolio. We will also cease our quarterly reporting on China stand-alone revenue and comps. In addition, we will make an informational one-pager available shortly after this call on the quarterly results and supplemental data page of our Investor Relations website.

The overall value to Starbucks is anticipated to be more than \$13 billion, including the net present value of our licensing economics. As part of the transaction, Starbucks received approximately \$3.1 billion in gross cash proceeds before taxes. Prior to closing, we repaid our \$1 billion February maturities and expect to deploy the remaining proceeds toward additional debt reduction and ongoing balance sheet management. These actions further strengthen our financial position consistent with our BBB+ Baa1 rating.

Our capital allocation philosophy reflects a disciplined approach across 3 priorities: strategically investing in the business, maintaining a competitive dividend and returning excess cash to shareholders, supported by our investment-grade profile. We believe this framework positions us well to invest opportunistically, navigate cycles and create durable value over the long term.

Turning to our outlook for fiscal 2026. Our Q2 results highlight the progress we continue to make in our turnaround and momentum we've built around our strategy. From the outset, we've been clear that top line improvement would come first with earnings growth to follow. As our comp performance becomes more consistent each quarter, this growth, combined with our cost savings efforts are starting to show up in margins.

Starting at the top of the P&L, we are raising our fiscal 2026 global comp guidance to 5% growth or better, led by 5% or better comps in the U.S. Customer demand trends in our business remain strong today. And while history demonstrates the resilience of our brand through periods of high gas prices, the current macro environment brings heightened uncertainty to our operating landscape and consumer behavior more broadly. Our comp guidance accounts for these considerations. In addition, our guidance now assumes a joint venture licensing structure in China, and in the back half of this fiscal year, we expect our China-related revenues to be less than 20% of what we would have previously reported with China as company operated. As such, we now expect our consolidated fiscal 2026 net revenues to be roughly flat year-over-year.

We continue to expect slight year-over-year growth in our fiscal 2026 consolidated operating margins driven by the net effect of a number of factors. First, we expect sales leverage to build over the next 2 quarters as we execute with discipline and advance our cost savings initiatives. These serve as offsets to our investments in our Back to Starbucks priorities as well as other headwinds. Second, as I mentioned earlier, we expect coffee and tariff pressures to start easing as we move into the back half of the fiscal year.

Third, our China JV structure is expected to be margin accretive with roughly half of its revenues flowing to operating income. We remain on track with our \$2 billion cost savings plan. These are gross savings, which we expect to realize through fiscal 2028, and balanced across product and distribution costs, OpEx and G&A. This year, the impact of our efforts will be most visible in G&A as much of our realized savings across the P&L are being offset by our strategic investments in our Back to Starbucks plan.

We continue to expect our consolidated G&A dollars to run below fiscal 2023 levels even after incorporating greater performance-based compensation related to better-than-expected financials. Putting this all together, we are raising our EPS guidance at both ends of the range to between \$2.25 and \$2.45. China's transition to a JV structure is now expected to be relatively EPS-neutral this fiscal year. While global macro factors can introduce variability in our results, our guidance reflects our current view and confidence in the underlying business.

Finally, from a unit count perspective, we still expect to add approximately 600 to 650 net new coffeehouses this fiscal year. We expect International to accelerate its growth over the next 2 quarters to achieve 450 to 500 net new coffeehouses in fiscal 2026, of which China still comprises close to half. We also continue to assume 150 to 175 net new U.S. company-operated coffeehouses this year, and we will continue to assess our existing portfolio as we rebuild our development pipeline.

In conclusion, our results this quarter deepen our conviction in the long-term trajectory of our business and our Back to Starbucks plan. Our improving execution, brand relevance and customer experience reflect who we are and the progress we're making. This is Starbucks. Our work isn't done, and we remain clear eyed about our path forward to deliver a stronger future.

And with that, we are now ready to take your questions. Thank you. Operator?

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from Brian Harbour with Morgan Stanley.

Brian Harbour

Morgan Stanley, Research Division

Yes. I'm curious if you could talk about sort of the -- just the service times. In the past, you've kind of updated us on where you're on average, if we sort of polled your employees, do they feel like they're kind of hitting targets there? And how do you think that the algorithm changes you made have supported that? And when you add scheduled ordering, how will that further address some of the service time improvements that you've made?

Brian Niccol
Chairman & CEO

Yes. So thanks for the question. Obviously, our focus on what I think we've described in the past is 4-4-12. So 4 minutes in the cafe, 4 minutes in the drive-thru and better than 12 minutes for promised times in mobile order pickup is still very much a focus area. And as you mentioned, we're kind of continuing to make, what I would call smart queue, smarter queue going forward based on learning with higher transaction levels. And so right now, we've got about 80% of our stores or better hitting the metrics. And we believe as we roll out the scheduled ordering, that's going to enable us to improve our performance, more specifically in the MOP arena because we'll hopefully be able to pull some things out so that we have more predictable orders in the queue.

And the other thing that we're working on, too, is just continuing to figure out a lot of people order in mobile or in some cases, in the drive-thru via mobile when they're already on-premise. And so we're learning how to sequence those orders better. So that they get treated correctly, given where they are in proximity to actually the order taking place. So the team is doing a great job on this. We continue to make great progress. And as a result, I think, our customers are feeling -- seen in the cafe and more importantly, getting their orders on time in the right amount of time. And then in mobile order and drive-thru, customers are seeing their orders show up on time and again, at the speed requirements that they would hope for.

Operator

Your next question comes from Sara Senatore with Bank of America.

Sara Senatore
BofA Securities, Research Division

A couple of questions, maybe a 2-part question about the margin, if I could. The -- I guess you mentioned, Cathy, the impact of innovation on part of the cost of goods. I was just wondering if maybe that is something that you anticipate to persist. It seems like the increase in the EPS guide was maybe a little bit less than I might have anticipated for such a big comp beat and raise. And I'm just trying to understand kind of puts and takes and in particular, on the COGS line and relative to, I think, some of what you had portended about maybe cost savings to come in future quarters in the supply chain.

Catherine Smith
Executive VP, CFO & Principal Accounting Officer

So let me start with the big picture on the EPS raise to our guidance and the implied flow-through and then that will maybe dovetail into the COGS question you had. So we're really obviously very pleased with our continued progress starting on the top line, the success we're seeing both in execution at coffeehouse as well as through the menu and marketing efforts. And so very pleased there. We are seeing also sequentially each quarter the improvements showing up in U.S. company-owned in particular, in North America, as the teams continue to get better and better at scheduling. So we're getting better flow through there on top of our Green Apron Service investments every quarter. But in the macro, we're also cognizant of the macro environment, and we want to make sure we're prudent as we continue to think through the remainder of the year. Obviously, we still have half a year in front of us. So that would suggest a little bit of why you're seeing maybe not as bullish in EPS flow-through given the top line that we're expecting.

With regards to the COGS element of that, though, we are seeing first half of this year continued coffee elevation, price elevation year-over-year. It's almost not quite, but I think it's almost \$1 a pound year-over-year change. And then the implications of tariffs as they run through our inventory, obviously, both of those we expect to abate toward the back end of the year. So both the coffee prices, we expect to continue to come down and they have a little bit as we -- our coffee always lags coming through our financials. And then the tariff implications we expect to roll through the inventory very quickly. So the back half, we should see better on both of those.

So all in, though, really pleased with both the performance on labor and the performance in the menu, and we'll continue to tighten that up, and it will show up in our -- obviously, our earnings flow through in time.

Operator

Your next question comes from David Tarantino with Baird.

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

And congratulations on the progress here. Brian, my question is about the operations improvement that you've seen. It's been pretty dramatic over the past, I don't know, 3 or 4 quarters. And I was wondering if you could maybe opine on how much runway you think the operations improvements alone still have in terms of being able to drive comps? I know it's may be difficult to separate that from some of the other things you're doing. But just perhaps you can maybe opine on that and give us an update on how those original pilot stores of the Green Apron Service model are doing relative to the base, that would be great.

Brian Niccol

Chairman & CEO

Yes. Thanks, David. And I appreciate you pointing out that the operation has really improved. Hopefully, everybody is experiencing it. I know I'm experiencing it as I get to visit markets kind of all over the United States and around the world. And the way that we really are tracking this is through our Grow scorecard. So you heard me mention in my prepared remarks, we've got a huge move forward in the number of stores that are achieving 4 shots. And that is really an important piece of the puzzle. But what I would say is pointing to more opportunity to come. We still have close to 40% of our stores where they're not at 4 shots. And so we know what we need to work on. The thing that's great about the Grow scorecard is it gives you clarity on what's working and where we could be better. And so it gives a very simple tool to coach. And it also gives us a very simple tool to recognize for great results, which we're seeing a lot of those examples as well.

And then when I look at also just the speed of service and the way we're deploying, you kind of heard Cathy mentioned this, I think we're just getting better at how we're deploying, allocating the labor based on the transaction growth that we're seeing in the business across all these different access points, right? The delivery channel is growing for us in a big way, cafe business is growing, as is our mobile order pickup business. So as we learn about those different experiences and how those transactions are coming back to the business, we have the ability to better deploy and even get better customer experience. And the other thing that I think is really important to point out is we only have done the uplift in about 300 stores. And if you've experienced a store with an uplift, the third place truly is alive, vibrant. Our partners, I think, are really proud of their coffeehouse, and they really take to heart the idea of being the community coffeehouse again. And that's going to ramp up to well over 1,000 stores by the end of this year. And then we've got ambitious goals to get that across 8,000-plus stores in very short order.

So we're seeing upside after those uplifts occur, both in the morning and afternoon dayparts. So operationally, I believe there still is a lot of opportunity for us to get more and more performance out of our stores because our partners are going to be the right-sized roster deployed correctly. And then we're going to support them correctly with technology behind the scenes so that the supply chain has the product showing up at the right time for them. And then I think the other key piece of bringing the third place back to life is an opportunity that our customers embrace and ultimately, our partners truly embrace.

So I'm really excited about where we are. I mean, we've made tremendous progress over the last 18 months. And if you think about it, it hasn't even been a year that we've rolled out the Green Apron Service model. It will be a year come August. And we're continuing to see those kind of lead stores still lead. And the thing that I love about that is we're learning from those lead stores. So I'm excited about where we are, but I am -- Mike was here with me, I think he'd be excited about telling you about all the things that are still to come in our operating model and what our partners can deliver in being the best customer experience company.

Operator

And your next question comes from David Palmer with Evercore ISI.

David Palmer

Evercore ISI Institutional Equities, Research Division

Just a quick model question and a big picture one. With regard to the cost of the Green Apron Service, investments in the quarter versus the year. Any changes in how those investments -- how you're thinking about those investments and maybe just a sense of how it staged through the year there versus the productivity that you're planning for this year? Any sense of that by quarter and how it's phasing through the year would be helpful. And then a big picture one. I know a lot of people are focused on the specialty beverage market. There's forces colliding. There's big traditional QSR players that are getting into the market. There are specialty coffee players that are expanding their beverages. And I'm wondering, Brian, if you're looking at this big market as you're executing your initiatives, and obviously, those seem to be working if you have a thought about where this market overall is going.

Brian Niccol

Chairman & CEO

Yes, I'll take the last piece of that question, and then I can hand it over to Cathy. But what I think is -- we're seeing is just the reality that more and more customers are interested in drink experiences, whether that's morning rituals or afternoon experiences. And I think you're also seeing customers or consumers, frankly, at all different age cohorts wanting to have a third place experience. And so look, it's almost, I think, a compliment to the fact that our Refresher business is being imitated in so many places. And what my experience has been is when the category starts being talked about, the market leader benefits. And that's going to be us in this scenario.

And I believe the innovation that we're bringing to Refreshers, the innovation that we're bringing to coffee, the innovation that we're bringing to espresso is going to continue to position us really well in culture. And it's also going to position us well to lead on kind of the growth side of the category that we're going to continue to see. So I think it's a great sign. It's a telling sign that we're actually responding to what customers want. And I think others are trying to imitate and I think we're in a great place with our scale and with our innovation and the pipeline that we've got coming really across how people want to experience drinks. I'll hand it over to you, Cathy.

Catherine Smith

Executive VP, CFO & Principal Accounting Officer

Yes. And maybe only because it's become my own personal favorite, I'm going to expand on Refresher really quickly. What we're seeing is great incrementality as well with our new Refresher customizable energy platform. We built on a \$2 billion platform. As Brian said, leading position there. We're seeing it show up elsewhere with competitors. But now that we added the customizable energy, we're seeing people take away the caffeine in the afternoon. We're seeing people that weren't energy drinkers in the morning become energy drinkers in the morning with our Refresher platform because of the additional caffeine. And so that just showed us that a platform that was already a great and growing platform when we added the customizable energy, it became even bigger and that's become a household favorite at my house.

To answer your question on modeling for the cost of Green Apron Service, as Brian said, we'll annualize Green Apron Service in August. We'll start -- it started rolling out, remember, in a couple of like 2-week waves in August. And so we're about the same level each quarter until then. And then obviously, it will come down quite a bit from there. And then on productivity, we watch throughput. Mike and the entire Coffeehouse and Barista team every day are working on that as well. And so we'll continue to get better and better at that, too.

Operator

Your next question comes from Lauren Silberman with Deutsche Bank.

Lauren Silberman

Deutsche Bank AG, Research Division

Congrats on the quarter. I wanted to ask on the comp momentum, really impressive, especially in the context of the noisy consumer backdrop. Can you give any more color on the cadence of comps as you move through the quarter? And anything that you're seeing in April, given what's going on with gas prices. And then, Cathy, if I could just clarify on the EPS side. Now with the 5% plus comps, I understand you're being a bit more prudent. Can you just help us understand what you would need to see to get towards the top end of the range on the guide and perhaps versus the bottom?

Brian Niccol

Chairman & CEO

Yes. So I'll take the first part and then I can hand it back over to Cathy on the second part. The good news is, we really saw strength all quarter long. And I kind of go back to what I was talking earlier about when I think David asked a question about operational performance. One of the things that was great that we saw month to month to month is just this improvement in our Grow scorecard performance. You heard me reference how many stores now are achieving 4 shots. I want to make sure everybody understands what I mean by that, which is we're tracking now customer comments.

We're tracking throughput. We are tracking staffing correctly. Obviously, these are all things that ultimately you see show up in the scorecard. And if you perform on your sales, your throughput, your staffing, your customer performance and your food safety, the ability to get to 5 shots. And where we've seen kind of a real change in performance is once people get north of 3 shots, 3.5 shots. And so what we did see is operationally, we saw that improve every month. And as we enter or I guess, get ready to exit April, we've continued to see that strength in our operating performance. And we've also continued to see the consumer stay in the business, consistent with what we saw in the Q2 for our company.

So we haven't seen a lot of the macro effects trickle into consumer behavior as it relates to Starbucks. But I think we want to be cautious going forward because we're not sure how this will play out as the issues continue to happen, whether it shows up in gas prices or utilities in other ways or other input costs like fuel costs. So -- but we're excited very much about what we're seeing from an operational performance, how the customer then responds to that great operational performance and then the great work that I think the marketing and menu team are doing to bring relevant drinks, and you'll see us continue to push forward in food to go along with those great drinks.

And so I'm really excited about where we are. And I'm optimistic that if we stay the course on executing Green Apron Service, executing the third place experience with all these uplifts and then continuing to support our partners with the right rosters, the right deployment and then the right menu and marketing innovation, we should continue to be rewarded with customers' business in any environment. I'll let you cover the second part.

Catherine Smith

Executive VP, CFO & Principal Accounting Officer

On the EPS guide. So what would you have to believe, as you said, we're trying to be prudent given that we still have the macro backdrop that we do. But what would you have to believe? Well, first of all, we start with top line. So we said 5% plus, it would need to lean on the plus. That will obviously help the EPS in the guidance range between the \$2.25 and \$2.45 toward the top end. Additional things that are contemplated in the back half of the year, we need to see coffee prices abate. Obviously, we continue to take a prudent position there, but we'd like to see those continue to abate. We'll want to make sure we're watching fuel and the implications of fuel, obviously, on our business as we get surcharges, but also on the consumer. And then lastly, we'll continue to tighten up our innovation performance on COGS in particular. And as we do all of those things, that would put us at the top end or who knows what. And so we'll start with top line first.

Operator

Your next question comes from Chris O'Cull with Stifel.

Christopher O'Cull

Stifel, Nicolaus & Company, Incorporated, Research Division

Congratulations again. Brian, it was interesting that the U.S. is growing transactions across all income cohorts, including, I guess, lower income, which is a segment that has given most fast food or QSR concepts a challenge even with significant discounting. Why do you think the company has been successful in engaging that cohort?

Brian Niccol
Chairman & CEO

Yes. Thanks for the question. Look, this is one of those things I believe what we see with folks is when you give them an experience that they feel is unique, differentiated, special, a little touch of luxury, it goes a long way. And we're seeing that play out with every income cohort. So if you're somebody that's viewing this as your splurge, they're perceiving this as, yes, that was worth it for a little splurge. And then for others, where they're seeing it as their ritual, we're getting great feedback that we're now performing with the speed and the consistency that they're looking for. When we're seeing the occasions where people want this to be a community connection point, we're being able to show up for them on that occasion.

So I think this is what we talked about a while ago when I first said, hey, we need to get back to being Starbucks, which is we have to demonstrate for people that it's worth it. And if it's on the low income side where it is seen as a bit of a splurge and it's a little bit of indulgence. And by all means, we need to have those drinks that they want. And then we need to give them the experience where they feel like, you know what, for their hard-earned dollar, it was well worth the spend. And that's the feedback we're getting.

And also, I got to tell you, too, I think, Cathy mentioned this, most recently, with our Refreshers work, we're also seeing this play out in a really effective way too with all income cohorts. Where earlier in the morning, you're seeing more of the low-income consumer really adapt to the idea of a higher caffeine refresher. And later in the day, you're seeing some of the higher income people take the caffeine down a little lower, and giving themselves the customization that they want later in the afternoon as it relates to a refresher experience.

So we're focused on being a great experience regardless of what income cohort you're in. And I'm really proud of our partners because they are the ones that are executing that coffeehouse experience that resonates with folks where they walk away saying, you know what, that experience was worth it.

Operator

Your next question comes from Peter Saleh with BTIG.

Peter Saleh

BTIG, LLC, Research Division

Congrats on a great quarter. I just wanted to ask about the rewards program. I know the changes rolled out in March, so really not that much of a benefit to the second fiscal quarter, yet you did see some growth in the Rewards membership. So I was hoping you could give us a little bit more color on what you're seeing in April? How has that accelerated? And on the flip side, sometimes when you change Rewards programs, there's a little bit of a disruption. Are you seeing a disruption? Or are you seeing an acceleration? Any sort of details around that would be very helpful in April.

Brian Niccol

Chairman & CEO

Yes. Thank you. And look, I got to give a lot of credit to our Rewards team. They spend a fair amount of time making sure that this program was executed with excellence. And look, I'm delighted to say our rewards, the amount of people in our rewards program went up. We fully expected there will be some disruption, and we'd have to work our way back through it a little bit. But instead, it was just the opposite. And I got to tell you, I happen to be a reserve member. And even on Saturday, I got my new Black Reserve card. And if some of you are at that reserve level, I encourage you going to the app and order your reserve card, it's pretty cool to get. My wife might have had some envy when mine showed up.

But the thing that I think is really powerful in this Rewards Program is, we are seeing frequency increase, granted, this is early days. We're also seeing people really take advantage of the new lower kind of stars redemption opportunity, where with 60 stars, you can get \$2 off. And the team is doing a great job. And I think it demonstrates you don't have to make our rewards program, a coupon book, which is where I felt like we were when I first got here and we had to stop doing all that discounting. This needed to be about engagement. This needed to be about personalization, and this needed to be about recognition. And that's exactly what you're seeing with our 3 rewards tiers. Now the ability to participate in the Starbucks shop and based on where you are, whether you're black or -- I'm sorry, reserve or green or gold, you even get access to unique items in the merch shop.

So I just think the team has hit the ball out of the park on this one. It's early days, but I love the fact that we've already seen more rewards customers jump into the program. And by the way, usually in this quarter is when we usually traditionally see a dip in rewards participation. So we kind of bucked the trend. And then we also rolled out a new program that I feel just has tremendous momentum and a tremendous pathway in front of it for more growth and more engagement.

Operator

Your next question comes from John Ivankoe with JPMorgan.

John Ivankoe

JPMorgan Chase & Co, Research Division

One of the more difficult things to model is labor dollars per operating week, whether looking at versus '23 or versus '19, considering Green Apron, all the costs, obviously, the additional labor hours and additional people, additional training you put into the store. So really, the question is how -- maybe just kind of directionally how labor dollars per operating week may settle out in the next couple of years, especially given some of the initiatives and programs that your COO, I know, is planning to put in, in the relatively near term. How much efficiency, in other words, could we get out of existing labor hours to potentially use to drive additional transactions?

Brian Niccol

Chairman & CEO

Well, let me just on the first piece in regard to like efficiency. I think the way we're going to be more productive is through the ability of driving more throughput with the new rosters and the deployment that we have. We don't see our way forward with cutting. We see our way forward with being creating technology or creating equipment or creating processes to support the labor hours we have in the store to be more productive, meaning more transactions, more throughput. And I think the team is laser-focused on this.

We know we have a real opportunity to continue to be better at how we use the Smart Queue system. And we know we have an opportunity to be even better with the deployment. And we also know we've got an opportunity on how we set up the flow, whether it's the cold bar, our food system. And then obviously, I'm really excited about the new Mastrena that we've got coming down the pike where all of a sudden, you're going to be able to get 4 shots done in less than 30 seconds. So I think you're going to see us be able to meet the demand and do it in a way where we're able to drive more throughput, both in peak and in kind of these 15-minute, 30-minute increments that we're tracking. Your other question, we don't actually think about it the way I think you described it, but maybe we can...

Catherine Smith

Executive VP, CFO & Principal Accounting Officer

Yes. Let me -- maybe I can add a little bit more color there. So as Brian said, we want to make sure we're supporting our Green Apron partners every time they're engaging with a customer to make that the best and most rich experience. So we're going to continue to invest there. If you're thinking through like hours and rate is the way I think about it, every hour that's a customer supporting -- I mean a Green Apron partner supporting a customer, we want to support that.

What we would want to do though is help them to be able to deal with more throughput like Brian described or those non-covered hours, those hours where they're not supporting a customer. If there are things we can do to help our Green Apron partners, eliminate those kinds of tasks, then we would love to do that, and we can do that through technology and other ways which we're doing.

So longer term, total hours, I wouldn't expect to necessarily go down, especially as we continue to drive more and more demand. Rate, it will continue to be the area that we'll want to focus on, some jurisdictions require a rate already, and so we'll be thoughtful there. But I would think about it as kind of focusing on throughput in the covered hours or those hours where our Green Apron partners support our customers and then trying to be as effective and efficient as we can on the hours where they're not supporting a customer.

Operator

Your next question comes from Jeffrey Bernstein with Barclays.

Jeffrey Bernstein*Barclays Bank PLC, Research Division*

My question is on the kind of EPS growth algorithm. I think at your Investor Day, the long-term algo you put out there through fiscal '28 pretty much assumed 25%-plus type EPS growth in fiscal '27 and in fiscal '28 to hit your former, I guess, what is upwards of \$4 target and with revenue being only 5% of that, clearly, the majority of the growth is coming from operating margin expansion. So with that as a backdrop, one, I was just hoping you can talk about the primary buckets of that. I think it's the \$2 billion savings and how you kind of see that by year. And then just as you raise, like you just raised your fiscal '26 EPS guidance, should we be flowing that upside through to the former kind of absolute EPS guide approaching again \$4, or do you think of that more of just an EPS pull forward of growth and therefore, we should still have that fiscal '28 number kind of as is.

Catherine Smith*Executive VP, CFO & Principal Accounting Officer*

So Jeff, maybe I'll start and then, obviously, Brian can add anything on. So we're really pleased with the performance we're seeing already and to be able to come in and increase our guidance so quickly even after just giving it at Investor Day. Obviously, it's a testament to our strategy that's working. So we'll stick with that.

On your point about op margin expansion, absolutely, that is -- the key to the EPS targets we gave for 2028. And it is -- a lot of it's top line. Remember, about half of it is in top line and the other half is in that cost savings program. The cost savings program is a multiyear program, the \$2 billion. You're seeing it probably not as obviously this year because we've got a fair amount of savings, but it's helping to offset some of those investments we're making with Green Apron Service. We're also obviously seeing it come through in some of the near-term G&A work we've done. But you should expect it to come through in '27 and into '28 as well. Some of those things we're working on take a couple of -- a little bit of time to get -- pull it through the P&L, which we're doing.

So we've got a robust pipeline. What I can tell you is the number of initiatives have grown since we last spoke. So that's great, and we feel very confident we're on track for the \$2 billion program. And then lastly, you asked about flowing it through. I would say we're really not changing our FY '28 targets at this time. It's really early. We have another quarter behind us, let's just keep putting them down. And then at the right time, we'll come back with some different guidance.

Operator

And the last question comes from Sharon Zackfia with William Blair.

Sharon Zackfia

William Blair & Company L.L.C., Research Division

So I think everyone is really impressed by the operational improvement. And I guess I wanted to drill down a little bit on how you keep the momentum going forward. You touched on this a bit. But are the scorecards fluid, meaning what -- how do you keep those original cohorts improving? Or is it just a matter of muscle memory over time? And then secondarily, I'm sure you studied 2023 from the outside, it looked like everything was good until it abruptly wasn't. So how do you -- and what safeguards have you kind of put in place so that you can diagnose any shortfalls that start to happen operationally to address them really quickly?

Brian Niccol

Chairman & CEO

Yes. Look, this is why having, I think, clear standards and using a clear tool like the Grow Scorecard is so important. And obviously, one of the things I will tell you is, as we get more and more people close or more and more coffeehouses close to the performance standard, we raise the standard. And I think that is just the reality of wanting to always be world-class. And the thing that I think is really exciting about the Grow Scorecard is, it's correlating to performance. And then also, it's giving us clarity of what's working and what's not working. And so that's going to be our best tool to understand what's happening in the coffeehouse. So I also think, too, just as an organization, we are much closer and in sync and in tune with our coffeehouse and the customer that's coming into the coffeehouse.

So you got to stay close to what's happening from an operating standpoint. You got to have signals like a Grow Scorecard, but you also got to be in the coffeehouses, talking to our partners that see what's happening on a day-to-day basis. And I think our team is doing just that. And we will continue to make sure that, that is the case. I was actually just kind of looking at my past 3 or 4 months. And it's great to see how many coffeehouses I was able to visit over the past 3 or 4 months. And there's just -- it's invaluable to be able to be in a store with your partners, with your coffeehouse leader to hear what's working and what's not working. Because we don't have it all figured out. But the feedback I get from our teams is we're moving in the right direction.

They love the Grow report, and they love getting the feedback that's simple, actionable and very clear. And so that's probably our best tool to make sure that we don't take our eye off of being a great operating company that's focused on great customer service. But the other key piece for us is whether the consumer is in a tough situation or in a healthy situation. My experience has been if you execute with excellence and you frankly give the customer the best possible experience for their hard-earned dollar, you'll be rewarded with their business. And that's what we're going to stay focused on the things that we can control.

Operator

And that was our last question, so I will now turn the call over to Brian Niccol for closing remarks.

Brian Niccol *Chairman & CEO*

All right. Well, look, thank you, everybody. And thanks for all the questions. Look, I just want to wrap up here, and I want to reiterate what we've accomplished, right? So over the past 1.5 years, we set a plan, right? We built, I think, determined teams to really start working with speed and rigor. And thanks to the dedication of our partners, I think, some smart investments, operational discipline. And clearly, we now have some brand momentum. It's great to see that the company is back to growth. So clearly, we have more work to do. But I do believe you've seen a turn in our turnaround, and I'm really confident in the opportunity ahead of us. Because of what I see just changing across our company.

And I want to just share a little fun story. I had the opportunity to visit a coffeehouse in Nashville last week. And so I'm going to be specific here. So the team knows I'm talking about them. I was at Charlotte Pike and 22nd Avenue in Nashville. And I got to tell you, the store was transformed from my first visit about a year ago. When I walked in, all our partners' eyes were up, high energy, couldn't be more excited about providing great customer service. There was a true sense of community in the cafe. I had customers that were sitting on couches grabbing me saying, "Hey, I love the new furniture. I love the new third place experience." And I'd tell you, it was showing up in their performance as well. And I'm happy to say this was a 4.5 shot Grow score, so not just 4 shots, but 4.5 shots. And I'm sure they're on their way to 5 shots. But it was amazing to just see the transformation in one year and really the effort that our partners were making to provide world-class customer service.

The other thing I want to share, too, is I really do see in our support center that our partners are embracing the accelerated pace of change. And they are really driving forward a lot of work that's making a real difference in the experience that we deliver in our coffeehouses. And I believe our support center is much more focused on the customer. And I believe speed is becoming an advantage as we will start operating with more confidence going forward. So look, together, we really are building a winning culture that makes our Q2 results, I think, repeatable and durable and truly represents what Starbucks is. It's one that's going to get better as we execute, one that's going to stay close to the coffeehouse, one that as we scale things we will scale the things that work and we'll learn from the things that don't, and one that keeps raising the bar for both ourselves and our customers. And I really do believe, Back to Starbucks is demonstrating that we're strengthening our execution. And our execution is now showing up in our results.

So our focus will be now on consistency so that today's progress really does become ongoing performance. So again, thank you to our partners really around the world for the care and discipline that they are bringing to our coffeehouses. I want to thank our support centers for the focus that they put on getting the right work done at the right speed. And obviously, I want to thank our customers and our shareholders for your continued trust in the Starbucks business. And I'm sure we'll be talking here in the next couple of months. So have a great day. Thanks, everybody.

Operator

Thank you. This concludes Starbucks Second Quarter Fiscal Year 2026 Conference Call. You may now disconnect.

Read more current SBUX [analysis and news](#)

View all [earnings call transcripts](#)

Comments

Sort by

Newest ▼



If you type a company or ETF ticker symbol in capital letters we will automatically link to the symbol page. You can remove the link by deleting the \$ in the comment.