

STARBUCKS CORPORATION
RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES

(unaudited)

(\$ in millions)

	Quarter Ended		Change
	Dec 29, 2019	Dec 30, 2018	
Consolidated			
General and administrative expenses, as reported (GAAP)	\$ 434.2	\$ 448.0	(3.1)%
Restructuring, impairment and optimization costs ⁽¹⁾	(0.8)	(6.4)	
International transaction and integration-related items ⁽²⁾	(2.5)	(2.9)	
2018 U.S. stock award ⁽³⁾	—	(23.1)	
Nestlé transaction and integration-related costs	(0.3)	(0.5)	
Non-GAAP G&A	<u>\$ 430.6</u>	<u>\$ 415.1</u>	3.7%
Non-GAAP G&A as a % of total net revenues ⁽⁴⁾	6.1 %	6.3 %	
Operating income, as reported (GAAP)	\$ 1,219.8	\$ 1,015.7	20.1%
Restructuring, impairment and optimization costs ⁽¹⁾	7.1	48.8	
International transaction and integration-related items ⁽²⁾	58.9	60.3	
2018 U.S. stock award ⁽³⁾	—	23.1	
Nestlé transaction and integration-related costs	5.6	5.8	
Non-GAAP operating income	<u>\$ 1,291.4</u>	<u>\$ 1,153.7</u>	11.9%
Operating margin, as reported (GAAP)	17.2 %	15.3 %	190 bps
Restructuring, impairment and optimization costs ⁽¹⁾	0.1	0.7	
International transaction and integration-related items ⁽²⁾	0.8	0.9	
2018 U.S. stock award ⁽³⁾	—	0.4	
Nestlé transaction and integration-related costs	0.1	0.1	
Non-GAAP operating margin	<u>18.2 %</u>	<u>17.4 %</u>	80 bps
Diluted net earnings per share, as reported (GAAP)	\$ 0.74	\$ 0.61	21.3%
Restructuring, impairment and optimization costs ⁽¹⁾	0.01	0.04	
International transaction and integration-related items ⁽²⁾	0.05	0.05	
2018 U.S. stock award ⁽³⁾	—	0.02	
Nestlé transaction and integration-related costs	0.01	—	
Other tax matters ⁽⁵⁾	—	0.06	
Income tax effect on Non-GAAP adjustments ⁽⁶⁾	(0.02)	(0.03)	
Non-GAAP EPS	<u>\$ 0.79</u>	<u>\$ 0.75</u>	5.3%

- (1) Represents costs associated with our restructuring efforts, primarily severance and asset impairments related to certain company-operated store closures, as well as business process optimization costs, largely consulting fees.
- (2) Includes transaction costs for the acquisition of our East China joint venture and the divestitures of our Taiwan joint venture; ongoing amortization expense of acquired intangible assets associated with the acquisition of East China and Starbucks Japan; and the related post-acquisition integration costs, such as incremental information technology and compensation-related costs.
- (3) Represents incremental stock-based compensation award for U.S. partners (employees).
- (4) Non-GAAP G&A as a percentage of total net revenues for the first quarter of fiscal 2020 was 6.1%. Non-GAAP G&A as a percentage of total net revenues for fiscal years 2019 and 2018 was 6.5% and 6.4%, respectively. Refer to the Starbucks Investor Relations website for additional information regarding historical non-GAAP information.
- (5) Represents the estimated impact of the U.S. Tax Cuts and Jobs Act, specifically the transition tax on undistributed foreign earnings, estimated incremental foreign withholding taxes on expected repatriated earnings and the re-measurement of deferred taxes.
- (6) Adjustments were determined based on the nature of the underlying items and their relevant jurisdictional tax rates.