

# Starbucks and Oatly:

## A strategic partnership turned acquisition

February 28, 2024

Block 6 - Group 9



# Starbucks should pursue acquisition of Oatly to create operational synergies and enhance product development

01

Starbucks' current vertically integrated framework

02

Three reasons to pursue an acquisition

03

Offer price and expected synergies

04

Steps to implementation plan

05

Supply chain challenges and company differences

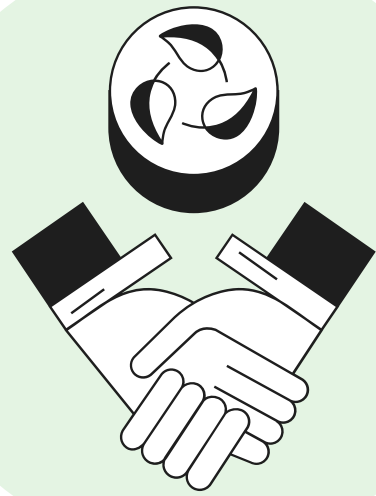


# Competitive Outlook:

Current partners improve distribution and align with sustainability objectives.

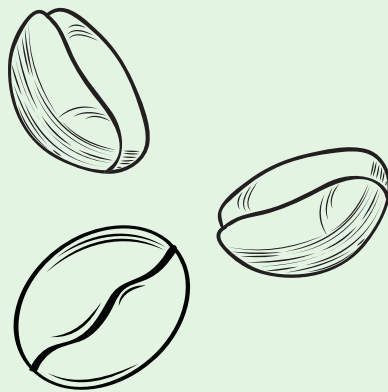


# Vertical integration helps Starbucks achieve its sustainability goals



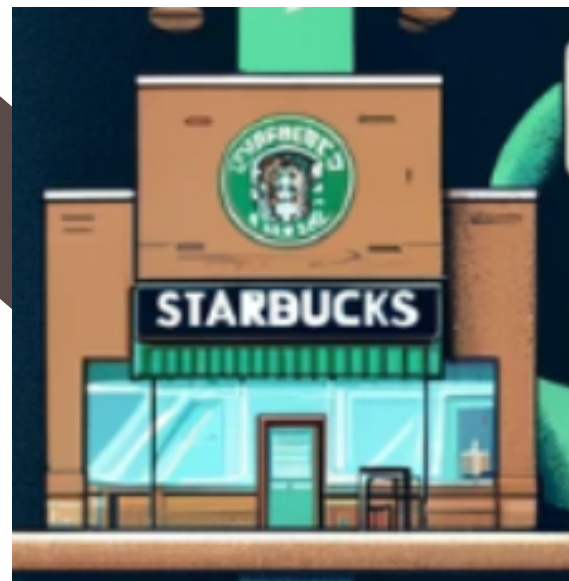
## Sourcing and Procurement

- C.A.F.E. practices
- Hacienda Alsacia



## Roasting and Packaging

- Company-operated roasting plants



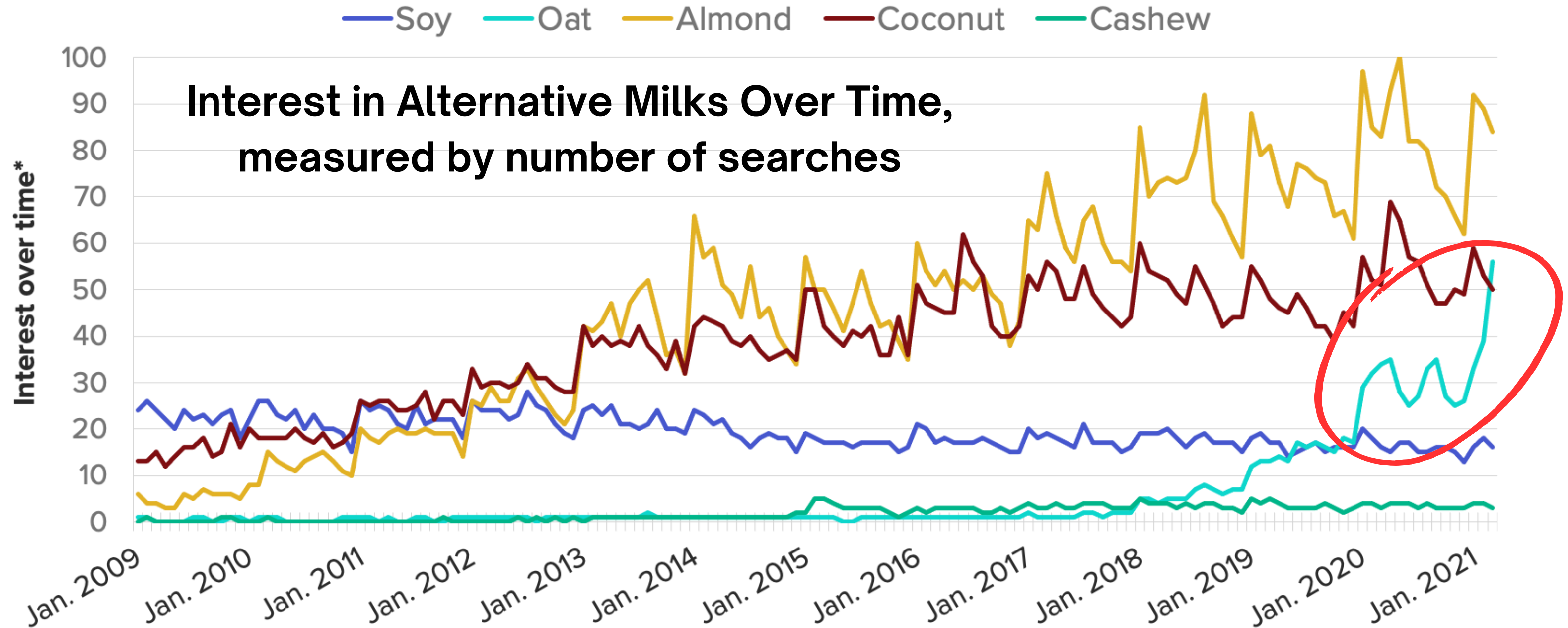
## Retail Stores and Experience

- Partners and brands: Princi, Oatly, Califia Farms, Beyond Meat, etc.

**PEPSICO** **Nestlé**

**Licensing Partners**

# 5 Oat milk is the second-largest segment of the plant-based milk alternative market, and it is growing rapidly



MORNING CONSULT

\*Where 100 is the maximum search interest



# Proposal:

Acquisition could reduce costs, introduce innovative menu items, and enhance market penetration capabilities.



# Starbucks and Oatly have complementary distribution networks, allowing both companies to penetrate the market

## Oatly

- Scandinavia and other **European markets**
- Health-focused supermarkets and specialty vegan grocery stores



## Starbucks

- Operates **38,038 stores** in over **70 countries**
- Airports and travel hubs

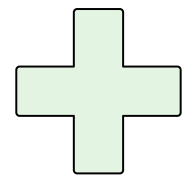


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## Synergistic Distribution Channels

# Merging product development can expedite the development of unique co-branded products and broaden market appeal

Starbucks



Oatly



Distinctive co-branded products and improved menu offerings



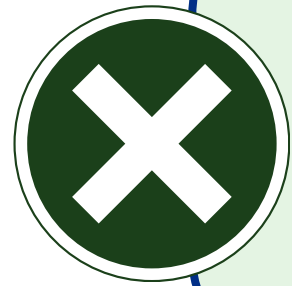
# Financial Value:

Starbucks could support Oatly's supply chain restructuring and reduce SG&A expenses.



# The surge in demand for Oatly's products has exacerbated cost inefficiencies, resulting in low margins

Cost of Goods Sold Gross Profit



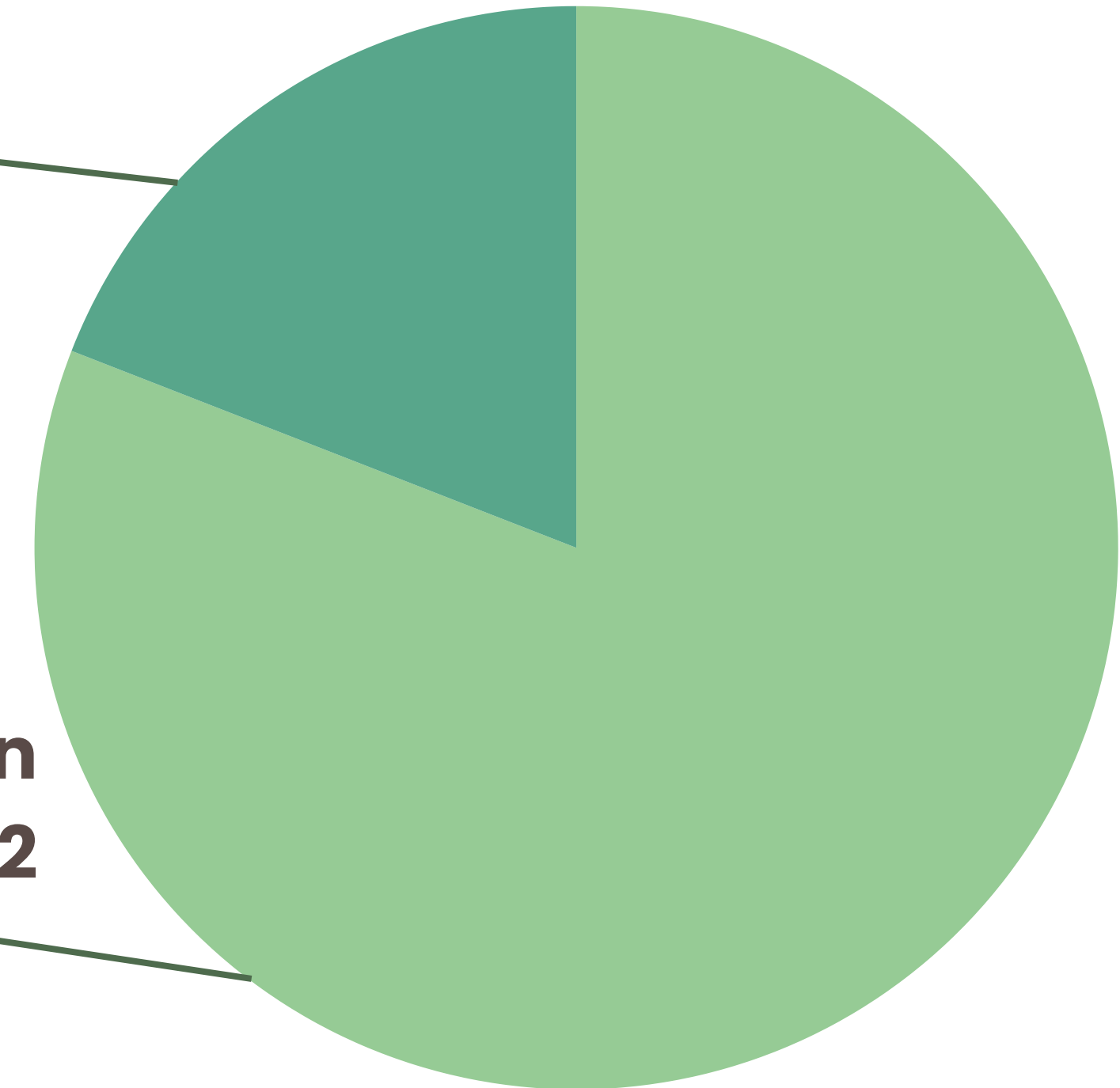
No positive cash flows since 2019 IPO



Rapid scaling → increasing COGS and SG&A expenses

19.1% in 2022

80.9% in 2022



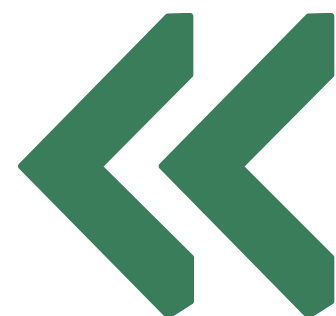
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**Based on Oatly's projected free cash flows, Starbucks should be willing to pay no more than \$1.53 per share**

**Opening Price**

**\$1.38**

20% premium over current  
share price of \$1.15

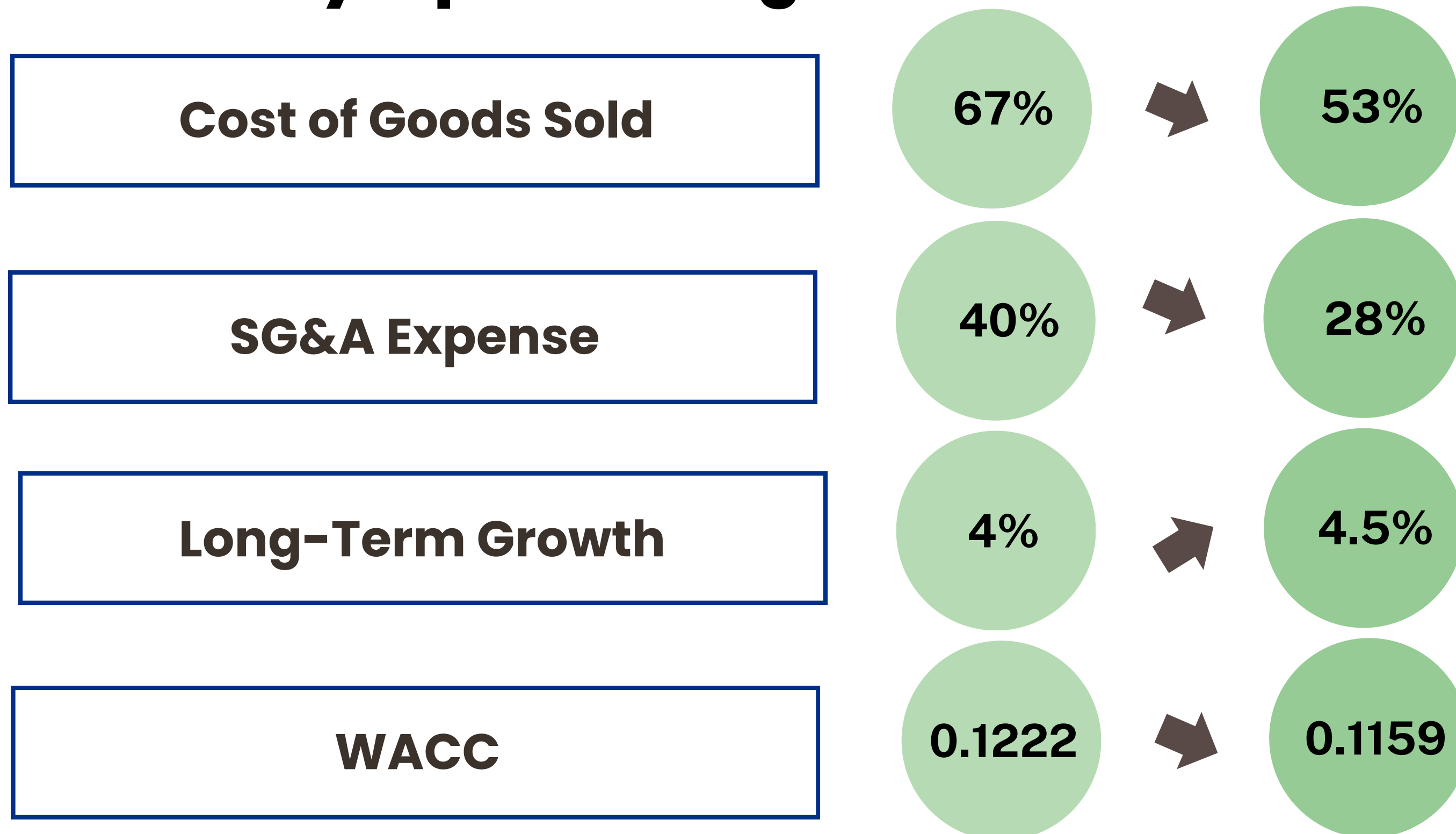


**Walkaway Price**

**\$1.53**

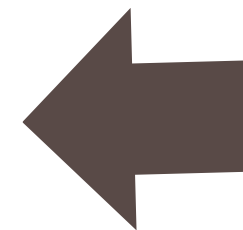
33.04% premium

# COGS, SGA, Long-term growth, and WACC are the key drivers for Oatly's post-merger valuation



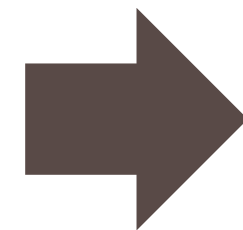
# Oatly will benefit post-merger from faster reductions in SG&A costs and improved supply chain management

**Pre-Acquisition  
Valuation**



-6.96%

**Current Share Price**



33.04%

**Post-Acquisition  
Valuation**





# Industry multiples provide a large range of offer prices

**TEV/SALES: \$1.78**

**TEV/EBITDA: \$1.00**

**TEV/EBIT: \$0.41**

**P/E: \$0.39**

## Company Comp Set

Saudia Dairy & Foodstuff Company (SASE:2270)

Sovos Brands, Inc. (NasdaqGS:SOVO)

The a2 Milk Company Limited (NZSE:ATM)

Royal Group Co.,Ltd. (SZSE:002329)

Sinad Holding Company (SASE:4080)

Shanghai Milkground Food Tech Co., Ltd (SHSE:600882)

Wei Chuan Foods Corporation (TWSE:1201)

Ausnutria Dairy Corporation Ltd (SEHK:1717)

Scandi Standard AB (publ) (OM:SCST)

Namyang Dairy Products Co., Ltd (KOSE:A003920)

# Implementation:

Immediate investment in R&D will yield new products for broader distribution.



# Oatly can use Starbucks' distribution network through North American Coffee Partnership with PepsiCo



Oatly can use **PepsiCo's distribution network** to ensure wider availability of its products in global markets.



Oatly's expansion into Starbucks, including across **Latin and South America**, will enhance its regional presence and boost brand awareness.

PepsiCo and Starbucks to Bring RTD\* Coffee and Energy Beverages to Latin America



Image by Market Realist



# Introducing Oatly's other products to Starbucks locations expands its food service presence



## Revenue Growth

- Food made up 22% of Starbucks' revenue in 2023
- Focus on healthy and plant-based alternatives



# The success of Starbucks' traditional RTD beverage lines points to opportunities for plant-based offerings



Captured approximately 42% of RTD cappuccino/iced coffee market sales

Over \$376 million in revenue

**Similar Products:** Rise Brewing Company, Super Coffee, Store Brands



- Collaborate to develop **new retail products**
- **Consideration:** Regulatory, labeling, and health claim requirements



# Risks:

Starbucks' expertise in the coffee retail space and reliance on rapid supply chain improvements present obstacles.

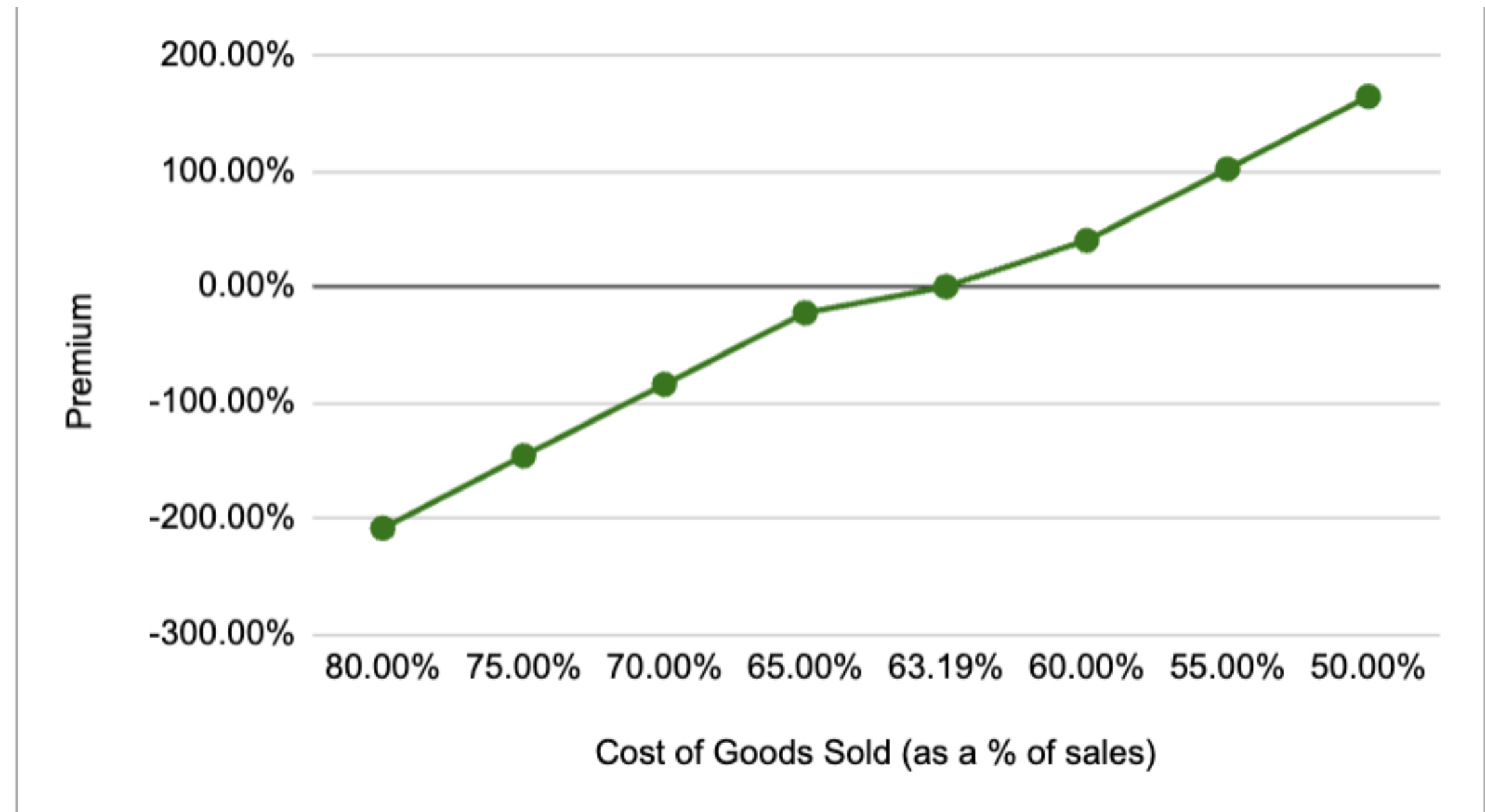


# The success of the acquisition is largely dependent on lowering COGS and integrating expertise

Challenges in meeting COGS targets

Post-merger changes will take time to come into effect

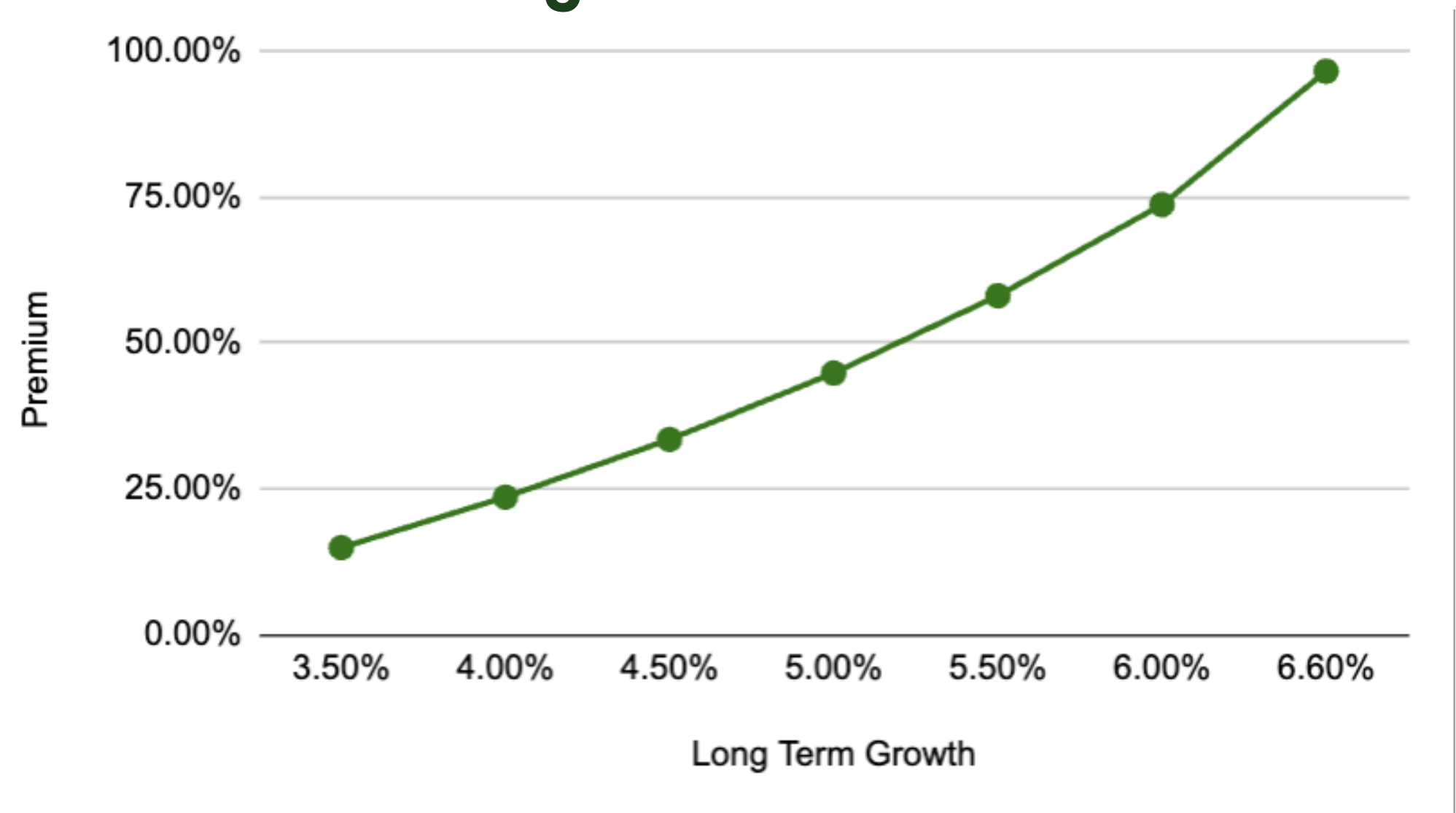
## Estimated Premium Paid based on Cost of Goods Sold



# The acquisition will deliver maximum value if consumer preferences continue to shift towards oat milk alternatives

- Dairy alternative market growth is uncertain
- Large variety of dairy alternative options

**Estimated Premium Paid based on Long-term Growth rate**

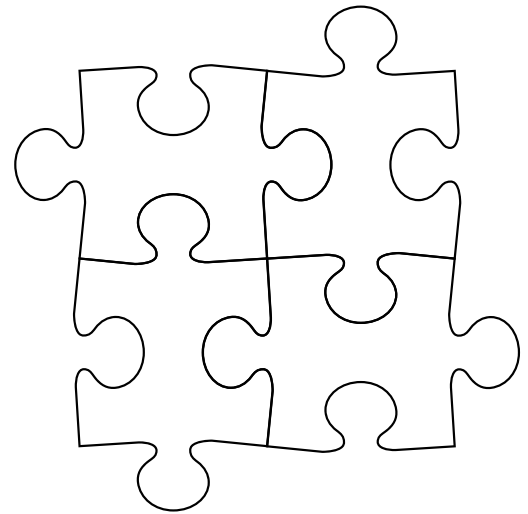


# Summary:

Acquiring Oatly would position Starbucks for plant-based market leadership, secure supply chains, and drive innovation.



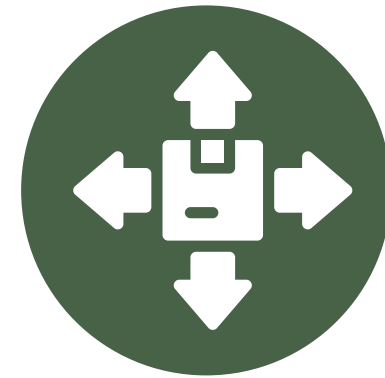
# The existing partnership could aid in a friendly acquisition and successful integration plan



## Vertical Integration and Beverage Expertise



Accelerated revenue growth



Complementary distribution



Environmental responsibility  
and innovation



# Appendix A: Oatly Financial Ratios

Ratios	2022	2023
Return on Assets %	-15.50%	-24.40%
Return on Capital %	-18.90%	-31.50%
Return on Equity %	-38.60%	-74.00%
Gross Margin %	11.10%	19.40%
SG&A Margin %	57.20%	47.70%
EBITDA Margin %	-44.80%	-51.70%
EBITA Margin %	-48.90%	-58.30%
EBIT Margin %	-49.00%	-58.30%
Total Asset Turnover	0.5x	0.7x
Fixed Asset Turnover	1.1x	1.5x
Accounts Receivable Turnover	7.0x	7.3x
Inventory Turnover	6.1x	6.9x
Current Ratio	1.4x	0.8x
Quick Ratio	0.6x	0.7x
Avg. Days Sales Out.	52.2	49.8
Avg. Days Inventory Out.	59.7	52.7
Avg. Days Payable Out.	48.5	45.8
Total Debt/Equity	19.20%	158.70%
Total Debt/Capital	16.10%	61.30%
LT Debt/Equity	10.70%	55.60%
LT Debt/Capital	9.00%	21.50%

# Appendix B: Net Debt and WACC Calculation

	2023
<b>Curr. Port. of LT Debt</b>	\$6.10
<b>Short-term Borrowings</b>	\$323.50
<b>Long-Term Debt</b>	\$114.20
<b>IBD</b>	\$443.80
<b>Excess Cash</b>	\$249.30
<b>Net Debt</b>	<b>\$194.50</b>

Net Debt/Equity	% equity	% net debt	Bond Rating	Risk Free	EMRP	Beta	Unlevered Beta	Cost of Equity	Cost of Debt	WACC
0.405	71.17%	28.83%	Baa3	0.0427	0.057	1.93	1.37	0.15271	0.0583	0.1220



D/E	E/TEV	IBD/TEV	Bond Rating	Risk Free	EMRP	Relevered Beta	Unlevered Beta	cost of equity	cost of debt	WACC
0.199	83.39%	16.61%	BBB	0.0427	0.057	1.65	1.37	0.13659	0.0562	0.1159

# Appendix C: As-Is Valuation Assumptions

Assumptions	0	1	2	3	4
1 Sales Growth	6.60%	7.00%	6.00%	6.60%	6.50%
2 COGS (% of sales)	80.59%	73.00%	70.08%	67.28%	64.59%
4 SGA (% of sales)	47.67%	44.09%	40.79%	37.73%	34.90%
5 R&D (% of sales)	2.68%	2.00%	2.00%	2.00%	2.00%
6 Other Operating Expense/(Income) (% of sales)	27.41%	-0.50%	-0.50%	-0.50%	-0.50%
13 ONWC (% of sales)	6.00%	6.00%	6.00%	6.00%	6.00%
9 EBIT (% of sales)	-58.34%	-22.39%	-16.17%	-10.31%	-4.78%
8 Depreciation (% of sales)	6.60%	10.00%	9.00%	6.00%	6.00%
15 CapEx (% of sales)	9.15%	5.00%	3.50%	3.50%	3.50%
16 Long-term Growth (%)					
17 WACC					

# Appendix D: As-Is Valuation Assumptions (cont.)

5	6	7	8	9	10	11	12	13	14	15	16
6.60%	6.70%	6.60%	5.00%	4.00%	4.00%	6.00%	6.50%	5.00%	5.00%	5.00%	5.00%
62.00%	59.52%	57.14%	54.86%	52.66%	52.66%	50.55%	48.53%	46.59%	46.59%	46.59%	46.59%
32.28%	29.86%	29.86%	29.86%	29.86%	29.86%	29.86%	29.86%	29.86%	29.86%	29.86%	29.86%
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%
6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
0.42%	5.32%	7.70%	9.98%	12.18%	12.48%	14.58%	16.61%	18.55%	18.55%	18.55%	18.55%
3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	6.00%
3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	6.00%	3.50%
											4.00%
											0.122

*\*Model continued from previous page*

# Appendix E: As-Is Valuation

	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
<b>\$</b>	<b>835.00</b>	<b>\$ 893.45</b>	<b>\$ 947.05</b>	<b>\$ 1,009.56</b>	<b>\$ 1,075.18</b>	<b>\$ 1,146.14</b>	<b>\$ 1,222.94</b>	<b>\$ 1,303.65</b>	<b>\$ 1,368.83</b>	<b>\$ 1,423.58</b>	<b>\$ 1,509.00</b>
	7.00%	6.00%	6.60%	6.50%	6.60%	6.70%	6.60%	5.00%	4.00%	6.00%	6.50%
<b>\$</b>	<b>609.55</b>	<b>\$ 626.13</b>	<b>\$ 637.15</b>	<b>\$ 652.03</b>	<b>\$ 666.64</b>	<b>\$ 682.21</b>	<b>\$ 698.80</b>	<b>\$ 715.13</b>	<b>\$ 720.85</b>	<b>\$ 719.69</b>	<b>\$ 732.36</b>
	73.00%	70.08%	67.28%	64.59%	62.00%	59.52%	57.14%	54.86%	52.66%	50.55%	48.53%
<b>\$</b>	<b>225.45</b>	<b>\$ 267.32</b>	<b>\$ 309.91</b>	<b>\$ 357.53</b>	<b>\$ 408.54</b>	<b>\$ 463.93</b>	<b>\$ 524.13</b>	<b>\$ 588.52</b>	<b>\$ 647.99</b>	<b>\$ 703.89</b>	<b>\$ 776.64</b>
	27.00%	29.92%	32.72%	35.41%	38.00%	40.48%	42.86%	45.14%	47.34%	49.45%	51.47%
<b>\$</b>	<b>368.19</b>	<b>\$ 364.42</b>	<b>\$ 357.31</b>	<b>\$ 352.33</b>	<b>\$ 347.09</b>	<b>\$ 342.24</b>	<b>\$ 365.17</b>	<b>\$ 389.28</b>	<b>\$ 408.74</b>	<b>\$ 425.09</b>	<b>\$ 450.59</b>
	44.09%	40.79%	37.73%	34.90%	32.28%	29.86%	29.86%	29.86%	29.86%	29.86%	29.86%
<b>\$</b>	<b>16.70</b>	<b>\$ 17.87</b>	<b>\$ 18.94</b>	<b>\$ 20.19</b>	<b>\$ 21.50</b>	<b>\$ 22.92</b>	<b>\$ 24.46</b>	<b>\$ 26.07</b>	<b>\$ 27.38</b>	<b>\$ 28.47</b>	<b>\$ 30.18</b>
	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
<b>\$</b>	<b>(1.25)</b>	<b>\$ (4.47)</b>	<b>\$ (4.74)</b>	<b>\$ (5.05)</b>	<b>\$ (5.38)</b>	<b>\$ (5.73)</b>	<b>\$ (6.11)</b>	<b>\$ (6.52)</b>	<b>\$ (6.84)</b>	<b>\$ (7.12)</b>	<b>\$ (7.54)</b>
	-0.15%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%
<b>\$</b>	<b>(158.19)</b>	<b>\$ (110.50)</b>	<b>\$ (61.61)</b>	<b>\$ (9.94)</b>	<b>\$ 45.33</b>	<b>\$ 104.50</b>	<b>\$ 140.62</b>	<b>\$ 179.69</b>	<b>\$ 218.71</b>	<b>\$ 257.45</b>	<b>\$ 303.41</b>
	-18.94%	-12.37%	-6.51%	-0.98%	4.22%	9.12%	11.50%	13.78%	15.98%	18.08%	20.11%
<b>\$</b>	<b>83.50</b>	<b>\$ 80.41</b>	<b>\$ 56.82</b>	<b>\$ 60.57</b>	<b>\$ 37.63</b>	<b>\$ 40.12</b>	<b>\$ 42.80</b>	<b>\$ 45.63</b>	<b>\$ 47.91</b>	<b>\$ 49.83</b>	<b>\$ 52.81</b>
	10.00%	9.00%	6.00%	6.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
<b>\$</b>	<b>(241.69)</b>	<b>\$ (190.91)</b>	<b>\$ (118.43)</b>	<b>\$ (70.52)</b>	<b>\$ 7.70</b>	<b>\$ 64.38</b>	<b>\$ 97.81</b>	<b>\$ 134.07</b>	<b>\$ 170.80</b>	<b>\$ 207.62</b>	<b>\$ 250.60</b>
	-28.94%	-21.37%	-12.51%	-6.98%	0.72%	5.62%	8.00%	10.28%	12.48%	14.58%	16.61%
<b>\$</b>	<b>(191.90)</b>	<b>\$ (151.58)</b>	<b>\$ (94.04)</b>	<b>\$ (55.99)</b>	<b>\$ 6.11</b>	<b>\$ 51.12</b>	<b>\$ 77.66</b>	<b>\$ 106.45</b>	<b>\$ 135.62</b>	<b>\$ 164.85</b>	<b>\$ 198.97</b>
<b>\$</b>	<b>83.50</b>	<b>\$ 80.41</b>	<b>\$ 56.82</b>	<b>\$ 60.57</b>	<b>\$ 37.63</b>	<b>\$ 40.12</b>	<b>\$ 42.80</b>	<b>\$ 45.63</b>	<b>\$ 47.91</b>	<b>\$ 49.83</b>	<b>\$ 52.81</b>
<b>\$</b>	<b>(108.40)</b>	<b>\$ (71.17)</b>	<b>\$ (37.21)</b>	<b>\$ 4.58</b>	<b>\$ 43.74</b>	<b>\$ 91.23</b>	<b>\$ 120.47</b>	<b>\$ 152.08</b>	<b>\$ 183.53</b>	<b>\$ 214.68</b>	<b>\$ 251.79</b>
<b>\$</b>	<b>50.10</b>	<b>\$ 53.61</b>	<b>\$ 56.82</b>	<b>\$ 60.57</b>	<b>\$ 64.51</b>	<b>\$ 68.77</b>	<b>\$ 73.38</b>	<b>\$ 78.22</b>	<b>\$ 82.13</b>	<b>\$ 85.42</b>	<b>\$ 90.54</b>
<b>\$</b>	<b>(34.30)</b>	<b>\$ 3.51</b>	<b>\$ 3.22</b>	<b>\$ 3.75</b>	<b>\$ 3.94</b>	<b>\$ 4.26</b>	<b>\$ 4.61</b>	<b>\$ 4.84</b>	<b>\$ 3.91</b>	<b>\$ 3.29</b>	<b>\$ 5.12</b>
<b>\$</b>	<b>41.75</b>	<b>\$ 31.27</b>	<b>\$ 33.15</b>	<b>\$ 35.33</b>	<b>\$ 37.63</b>	<b>\$ 40.12</b>	<b>\$ 42.80</b>	<b>\$ 45.63</b>	<b>\$ 47.91</b>	<b>\$ 49.83</b>	<b>\$ 52.81</b>
<b>\$</b>	<b>(115.85)</b>	<b>\$ (105.95)</b>	<b>\$ (73.58)</b>	<b>\$ (34.50)</b>	<b>\$ 2.18</b>	<b>\$ 46.86</b>	<b>\$ 73.06</b>	<b>\$ 101.61</b>	<b>\$ 131.71</b>	<b>\$ 161.57</b>	<b>\$ 193.85</b>
<b>\$</b>	<b>(115.85)</b>	<b>\$ (105.95)</b>	<b>\$ (73.58)</b>	<b>\$ (34.50)</b>	<b>\$ 2.18</b>	<b>\$ 46.86</b>	<b>\$ 73.06</b>	<b>\$ 101.61</b>	<b>\$ 131.71</b>	<b>\$ 161.57</b>	<b>\$ 193.85</b>

Enterprise Value \$826.63

Equity Value \$632.13

Equity Value/Share \$1.07

Shares Outstanding 593.2

Current Share Price \$1.15



# Appendix F: As-Is Valuation (cont.)

2034E	2035E	2036E	2037E	2038E	2039E
<b>1,509.00</b> \$	<b>1,607.08</b> \$	<b>1,687.44</b> \$	<b>1,771.81</b> \$	<b>1,860.40</b> \$	<b>1,953.42</b>
6.50%	5.00%	5.00%	5.00%	5.00%	5.00%
732.36 \$	748.76 \$	786.20 \$	825.51 \$	866.79 \$	910.13
48.53%	46.59%	46.59%	46.59%	46.59%	46.59%
<b>776.64</b> \$	<b>858.32</b> \$	<b>901.24</b> \$	<b>946.30</b> \$	<b>993.61</b> \$	<b>1,043.29</b>
51.47%	53.41%	53.41%	53.41%	53.41%	53.41%
450.59 \$	479.88 \$	503.88 \$	529.07 \$	555.52 \$	583.30
29.86%	29.86%	29.86%	29.86%	29.86%	29.86%
30.18 \$	32.14 \$	33.75 \$	35.44 \$	37.21 \$	39.07
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
(7.54) \$	(8.04) \$	(8.44) \$	(8.86) \$	(9.30) \$	(9.77)
-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%
<b>303.41</b> \$	<b>354.33</b> \$	<b>372.05</b> \$	<b>390.65</b> \$	<b>410.18</b> \$	<b>430.69</b>
20.11%	22.05%	22.05%	22.05%	22.05%	22.05%
52.81 \$	56.25 \$	59.06 \$	62.01 \$	65.11 \$	117.21
3.50%	3.50%	3.50%	3.50%	3.50%	6.00%
<b>250.60</b> \$	<b>298.08</b> \$	<b>312.99</b> \$	<b>328.64</b> \$	<b>345.07</b> \$	<b>313.49</b>
16.61%	18.55%	18.55%	18.55%	18.55%	16.05%
<b>198.97</b> \$	<b>236.68</b> \$	<b>248.51</b> \$	<b>260.94</b> \$	<b>273.98</b> \$	<b>248.91</b>
52.81 \$	56.25 \$	59.06 \$	62.01 \$	65.11 \$	117.21
<b>251.79</b> \$	<b>292.93</b> \$	<b>307.57</b> \$	<b>322.95</b> \$	<b>339.10</b> \$	<b>366.11</b>
90.54 \$	96.43 \$	101.25 \$	106.31 \$	111.62 \$	117.21
5.12 \$	5.89 \$	4.82 \$	5.06 \$	5.32 \$	5.58
52.81 \$	56.25 \$	59.06 \$	62.01 \$	111.62 \$	68.37
<b>193.85</b> \$	<b>230.79</b> \$	<b>243.69</b> \$	<b>255.88</b> \$	<b>222.16</b> \$	<b>292.16</b>
				\$	3,707.12
<b>193.85</b> \$	<b>230.79</b> \$	<b>243.69</b> \$	<b>255.88</b> \$	<b>222.16</b> \$	<b>3,999.28</b>

\*Model continued from previous page



# Appendix H: Post-Merger Valuation

Year		2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E
1	<b>Revenue</b>	\$ 783.30	\$ 861.63	\$ 965.03	\$ 1,051.88	\$ 1,136.03	\$ 1,226.91	\$ 1,307.89	\$ 1,394.21
	% growth rate	10.00%	12.00%	9.00%	8.00%	8.00%	6.60%	6.60%	6.60%
2	(-) Costs of Goods Sold	\$ 631.30	\$ 620.37	\$ 665.87	\$ 673.20	\$ 681.62	\$ 674.80	\$ 719.34	\$ 738.93
	% of revenue	80.59%	72.00%	69.00%	64.00%	60.00%	55.00%	55.00%	53.00%
3	<b>Gross Profit</b>	\$ 152.00	\$ 241.26	\$ 299.16	\$ 378.68	\$ 454.41	\$ 552.11	\$ 588.55	\$ 655.28
	Gross Margin	19.41%	28.00%	31.00%	36.00%	40.00%	45.00%	45.00%	47.00%
4	(-) Selling General & Admin Exp.	\$ 373.40	\$ 301.57	\$ 299.16	\$ 305.04	\$ 327.18	\$ 341.08	\$ 363.59	\$ 387.59
	% of revenue	47.67%	35.00%	31.00%	29.00%	28.80%	27.80%	27.80%	27.80%
5	(-) R&D	\$ 21.00	\$ 20.51	\$ 21.23	\$ 23.14	\$ 24.99	\$ 26.99	\$ 28.77	\$ 30.67
	% of revenue	2.68%	2.38%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
6	(-) Other Operating Expense/(Income)	\$ 214.70	\$ (1.10)	\$ (1.10)	\$ (1.10)	\$ (1.10)	\$ (1.10)	\$ (1.10)	\$ (1.10)
	% of revenue	27.41%	-0.13%	-0.11%	-0.10%	-0.10%	-0.09%	-0.08%	-0.08%
7	<b>EBITDA</b>	\$ (405.30)	\$ (79.72)	\$ (20.13)	\$ 51.59	\$ 103.34	\$ 185.14	\$ 197.28	\$ 238.12
	EBITDA Margin	-51.74%	-9.25%	-2.09%	4.90%	9.10%	15.09%	15.08%	17.08%
8	(-) Depreciation & Amort. Expense	\$ 51.70	\$ 56.87	\$ 63.69	\$ 69.42	\$ 74.98	\$ 80.98	\$ 86.32	\$ 55.77
	% of revenue	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	4.00%
9	<b>EBIT</b>	\$ (457.00)	\$ (136.59)	\$ (83.82)	\$ (17.83)	\$ 28.36	\$ 104.16	\$ 110.96	\$ 182.35
	EBIT Margin	-58.34%	-15.85%	-8.69%	-1.70%	2.50%	8.49%	8.48%	13.08%
10	<b>NOPAT</b>	\$ (362.86)	\$ (108.45)	\$ (66.55)	\$ (14.16)	\$ 22.52	\$ 82.70	\$ 88.10	\$ 144.78
11	(+) Depreciation Tax Shield	\$ 51.70	\$ 56.87	\$ 63.69	\$ 69.42	\$ 74.98	\$ 80.98	\$ 86.32	\$ 55.77
12	<b>OCF</b>	\$ (311.16)	\$ (51.58)	\$ (2.86)	\$ 55.26	\$ 97.50	\$ 163.68	\$ 174.42	\$ 200.55
13	Operating Net Working Capital	\$ 84.40	\$ 50.10	\$ 53.61	\$ 56.82	\$ 60.57	\$ 64.51	\$ 68.77	\$ 73.38
14	(-) Change in Operating Net Working Capital	\$ (128.30)	\$ (34.30)	\$ 3.51	\$ 3.22	\$ 3.75	\$ 3.94	\$ 4.26	\$ 4.61
15	(-) Capital Expenditures	\$ 66.10	\$ 34.47	\$ 38.60	\$ 42.08	\$ 45.44	\$ 49.08	\$ 52.32	\$ 55.77
16	<b>FCF</b>	\$ (248.96)	\$ (51.75)	\$ (44.97)	\$ 9.97	\$ 48.31	\$ 110.67	\$ 117.85	\$ 140.18
	Terminal Value							\$	2,065.77
		\$ (248.96)	\$ (51.75)	\$ (44.97)	\$ 9.97	\$ 48.31	\$ 110.67	\$ 117.85	\$ 2,205.95
17	Enterprise Value	\$1,104.57							
	Net Debt	194.5							
	Equity Value	\$910.07							
	Equity Value Per Share (593.2)	<b>\$1.53</b>							
	Long-term Growth	4.50%							
	WACC	0.1159							
		\$1.15 Current Share Price							
		33.41% Premium							



# Appendix I: Sensitivity Analysis

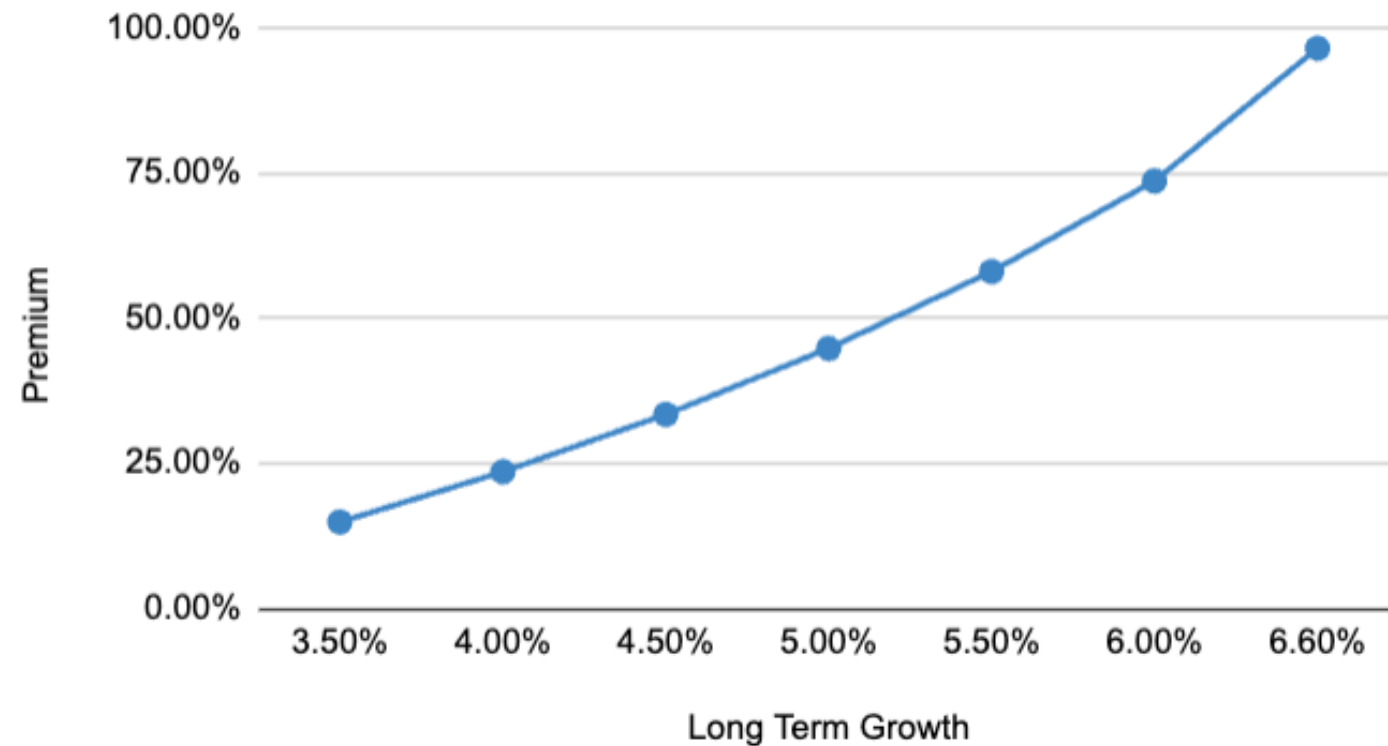
**Sensitivity Analysis**

Long Term Growth	Price Per Share	Premium
3.50%	\$1.32	14.86%
4.00%	\$1.42	23.52%
4.50%	\$1.53	33.41%
5.00%	\$1.67	44.79%
5.50%	\$1.82	58.04%
6.00%	\$2.00	73.67%
6.60%	\$2.26	96.55%

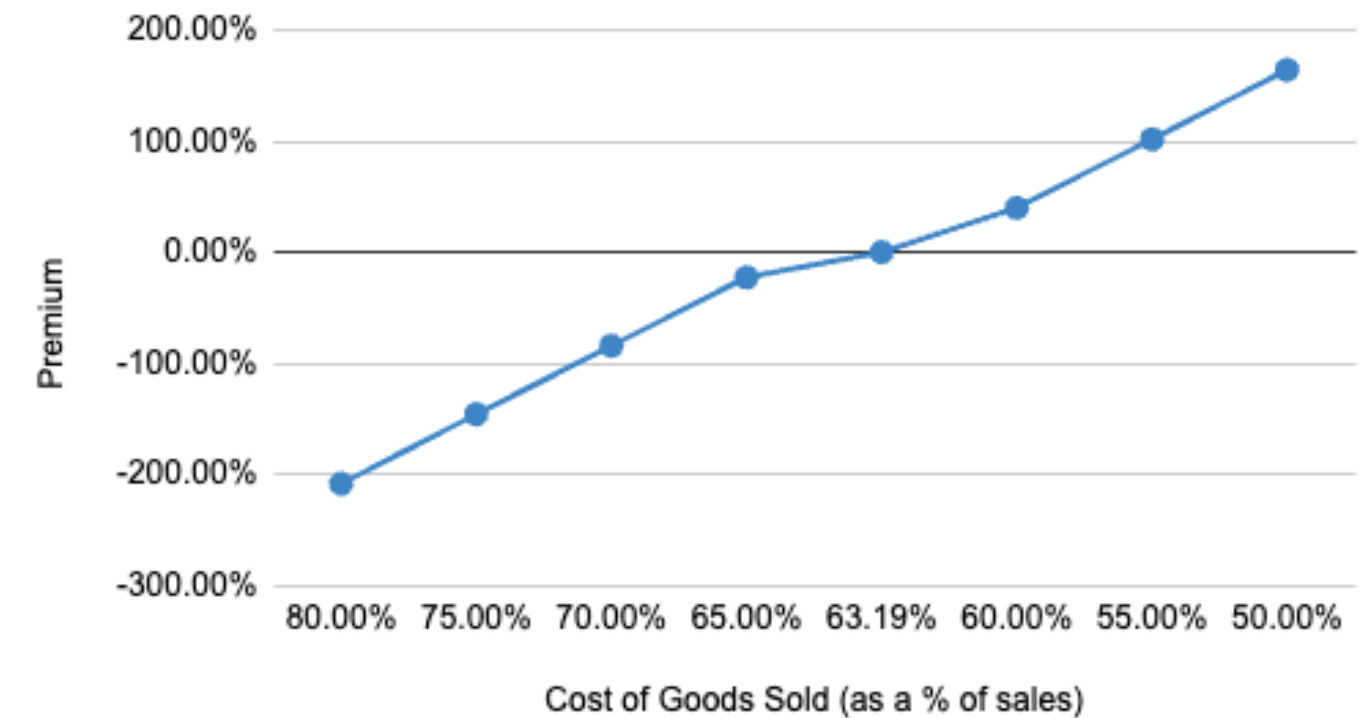
**Sensitivity Analysis**

Cost of Goods Sold	Price Per Share	Premium
80.00%	-\$1.25	-208.70%
75.00%	-\$0.53	-146.09%
70.00%	\$0.18	-84.35%
65.00%	\$0.89	-22.61%
63.19%	\$1.15	0.00%
60.00%	\$1.61	40.00%
55.00%	\$2.32	101.74%
50.00%	\$3.04	164.35%

Premium vs. Long Term Growth



Premium vs Cost of Goods Sold



# Appendix J: Industry Multiples

<b>Company Comp Set</b>					
<b>Company Name</b>	<b>TEV/Total Revenues LTM - Latest</b>	<b>TEV/EBITDA LTM - Latest</b>	<b>TEV/EBIT LTM - Latest</b>	<b>P/Diluted EPS Before Extra LTM - Latest</b>	
Saudia Dairy & Foodstuff Company (SASE:2270)	4.1x	21.2x	27.2x	30.9x	
Sovos Brands, Inc. (NasdaqGS:SOVO)	2.6x	13.2x	18.1x	NM	
The a2 Milk Company Limited (NZSE:ATM)	2.3x	16.8x	18.2x	27.1x	
Royal Group Co.,Ltd. (SZSE:002329)	1.7x	69.9x	NM	28.2x	
Sinad Holding Company (SASE:4080)	1.6x	43.1x	NM	NM	
Shanghai Milkground Food Tech Co., Ltd (SHSE:600882)	1.5x	33.4x	NM	271.7x	
Wei Chuan Foods Corporation (TWSE:1201)	0.7x	11.4x	82.6x	69.3x	
Ausnutria Dairy Corporation Ltd (SEHK:1717)	0.6x	7.5x	11.8x	22.2x	
Scandi Standard AB (publ) (OM:SCST)	0.5x	7.0x	14.1x	16.2x	
Namyang Dairy Products Co., Ltd (KOSE:A003920)	0.4x	NM	NM	NM	
Oatly Group AB (NasdaqGS:OTLY)	1.3x	NM	NM	NM	
<b>Summary Statistics</b>	<b>TEV/Total Revenues LTM - Latest</b>	<b>TEV/EBITDA LTM - Latest</b>	<b>TEV/EBIT LTM - Latest</b>	<b>P/Diluted EPS Before Extra LTM - Latest</b>	
High	4.1x	69.9x	82.6x	271.7x	
Low	0.4x	7.0x	11.8x	16.2x	
Mean	1.6	24.8x	28.7x	66.5x	
Median	1.6	16.8x	18.2x	28.2x	



# Appendix K: Industry Multiples (cont.)

P/TangBV LTM - Latest	NTM TEV/Forward Total Revenue (Capital IQ)	NTM TEV/Forward EBITDA (Capital IQ)	NTM Forward P/E (Capital IQ)
6.7x	3.81x	17.96x	25.01x
NM	2.41x	15.71x	28.31x
4.1x	2.26x	16.15x	26.72x
2.2x	-	-	-
1.9x	-	-	-
1.8x	1.24x	12.29x	44.02x
1.3x	-	-	-
0.9x	0.61x	5.47x	12.31x
8.5x	0.47x	6.45x	13.87x
0.8x	-	-	-
3.5x	1.20x	NM	NM
P/TangBV LTM - Latest	NTM TEV/Forward Total Revenue (Capital IQ)	NTM TEV/Forward EBITDA (Capital IQ)	NTM Forward P/E (Capital IQ)
8.5x	3.81x	17.96x	44.02x
0.8x	0.47x	5.47x	12.31x
3.1x	1.80x	12.34x	25.04x
1.9x	1.75	14.00x	25.87x

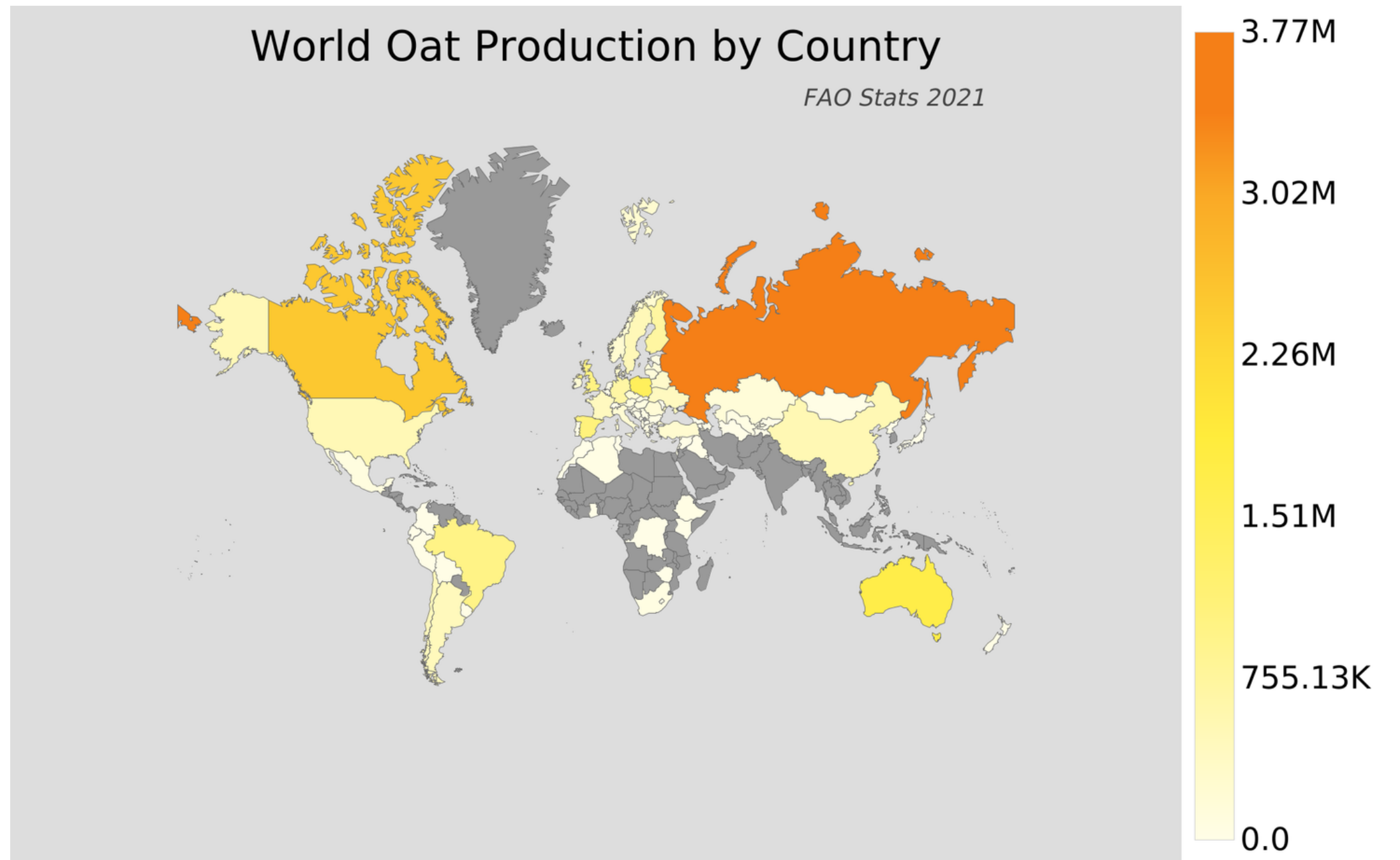
# Appendix L: Implied Valuation

Multiples	Median	Mean	Enterprise Value	Equity Value	Implied Valuation
TEV/Total Revenue	1.6x	1.6x	\$1,253.28	\$1,058.78	\$1.78
NTM TEV/ Forward Revenue	1.75x	1.8x	\$1,454.43	\$1,259.93	\$2.12
P/E	25.87x	25.04x			\$0.00
P/E 2029E	25.87x	25.04x			\$0.39
TEV/EBIT	18.2x	28.7x			\$0.00
TEV/EBIT 2030E	18.2x	28.7x	\$440.56	\$246.06	\$0.41
TEV/EBITDA	16.8x	24.8x			\$0.00
TEV/EBITDA 2029E	16.8x	24.8x	\$788.42	\$593.92	\$1.00

# Appendix L: World Oat Production by Country

## Oats are best grown in temperate regions.

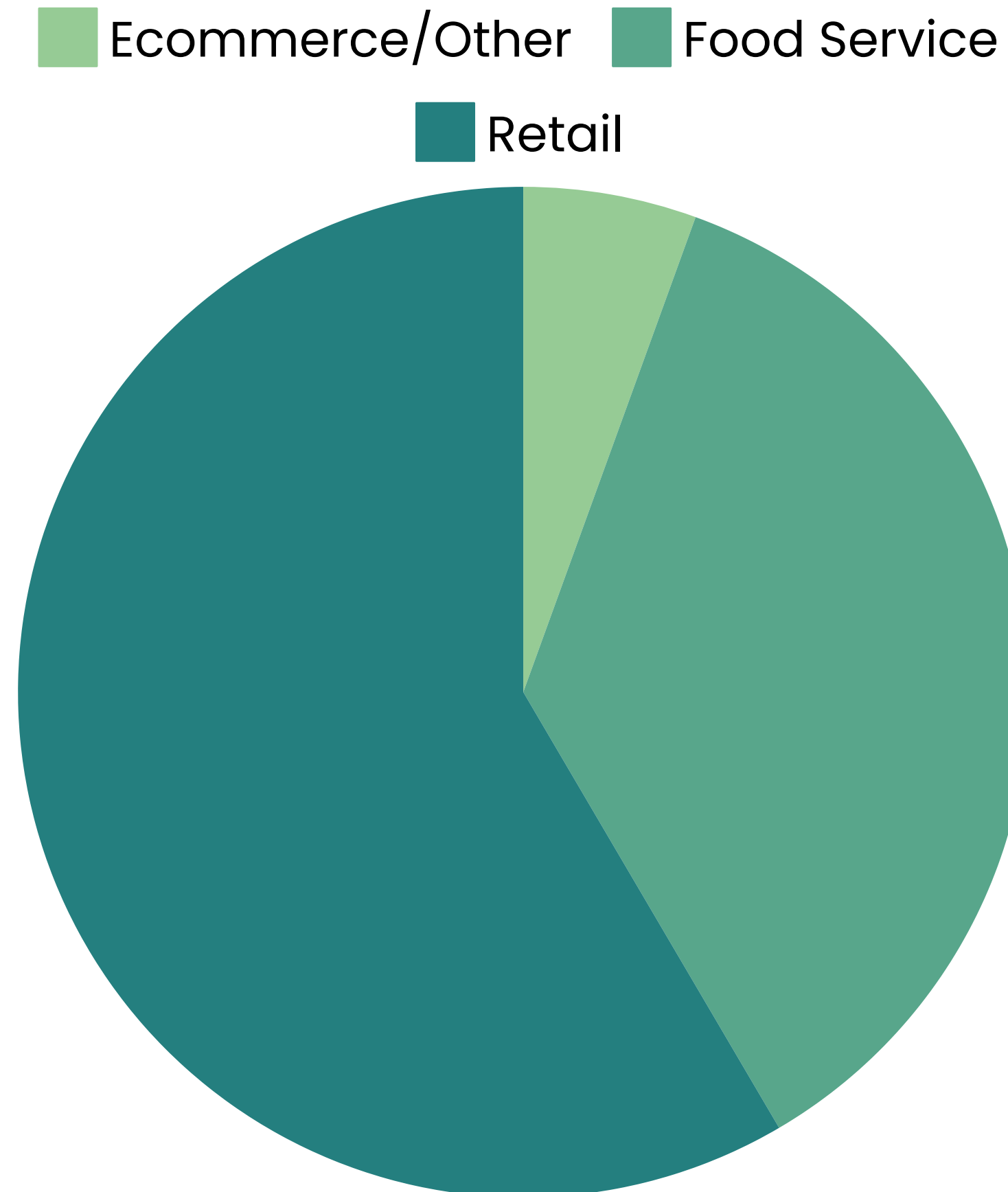
- About 25% of world oat production takes place in Russia
- Northwest and Eastern Europe, North America, Canada, Australia and China are also regions of high production
- The oat milk supply chain has been harmed by the Russia-Ukraine conflict



# Appendix M: Oatly Revenue Source Breakdown

**2023 revenue is derived mainly from retail sales.**

- Ecommerce includes DTC sales
- Retail - 58.45%, Food Service - 36.01%, and Ecommerce/Other - 5.54%



# Appendix M: Starbucks' Current Plant-Based Suppliers and Partners



## Alpro *Dairy Alternatives*

- Some European markets: soy, almond, and oat milk products



## Beyond Meat *Meat Alternatives*

- Plant-based versions of popular Starbucks menu items like breakfast sandwiches



## Multiple Suppliers *Almond Milk*

- Different locations use different brands, including Silk, Blue Diamond, and Califia Farms



## Oatly *Oat Milk*

- Provides **90%** of Starbucks' oat milk
- Featured ingredient in menu items like its Iced Brown Sugar Oatmilk Shaken Espresso and Honey Oatmilk Latte