



Starbucks Corporation

SBUX

EQUITY RESEARCH REPORT

October 23, 2026

[SBUX] — STARBUCKS CORPORATION

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Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	AVOID
Current Price	\$101.91 USD / €90.96 EUR
Fair Value (Base Case)	\$102.00 USD / €91.04 EUR
Margin of Safety	+0.1%
Target Entry (if HOLD)	Not applicable

Return Profile	Value
Dividend Yield	2.50%
Expected Dividend Growth	0% base case
Expected Price Appreciation	5.6% base case
Total Expected Return (Base)	8.1% CAGR
Bear Case Total Return	-2.9% CAGR
Bull Case Total Return	12.8% CAGR
Probability-Weighted Return	6.5% CAGR

Risk Assessment	Value
Wealth Preservation Score	40 / 100
Downside Protection Score	20 / 100
Quality Score	38 / 100
Risk Level	ELEVATED
Probability of >50% Loss	12%
Recession Profile	SENSITIVE

One-Line Thesis:

Starbucks owns a durable global brand and a best-in-class loyalty base, but at 52x trailing earnings with an uncovered dividend, unresolved labor litigation, and a bear-case return below zero, the stock fails the wealth preservation mandate at the current price.

INVESTMENT THESIS

Starbucks enters this review with a genuine business quality case. The company holds roughly 35.5 million active U.S. loyalty members who generate about 60% of domestic company-operated store revenue. The brand supports pricing power that most restaurant peers cannot match, and the licensed-store model plus the Nestlé Global Coffee Alliance allow Starbucks to monetize the brand without deploying capital for every unit. These attributes matter for long-term compounding.

The problem is the price and the payout. The authoritative current price is \$101.91 per share, equivalent to €90.96. The stock trades at a trailing P/E of approximately 52x, against a five-year average near 36x and a consumer discretionary sector average near 17.7x. The forward multiple near 31x assumes a multiyear earnings recovery that has only begun to appear. At the same time, the dividend is not covered by reported earnings or by free cash flow. The payout ratio on trailing GAAP EPS is roughly 147%, and the FCF payout ratio in the most articulated dataset is above 100%. A wealth preservation investor cannot accept an income stream that depends on a recovery that has not yet been secured.

The downside case is not speculative. Labor risk is the dominant operational threat. The National Labor Relations Board rulings, strikes, dress-code conflicts, and a shareholder lawsuit that survived a motion to dismiss all attach real costs to the brand. The company recognized \$892 million in restructuring and impairment charges in fiscal 2025, and management closed some unionized stores within that program. The holiday quarter is the most consequential period for the equity story, and the sources indicate that labor action is the most immediate threat to holiday throughput.

My bear case assumes a U.S. recession, a comparable-sales decline, a dividend cut, and a terminal multiple near 20x. That produces a 10-year total return of approximately -2.9% per year. The base case, in which management executes the “Back to Starbucks” plan and reaches the consensus F2028 EPS of \$3.94, returns about 8.1% annually including the dividend. The probability-weighted return across the three scenarios is 6.5%, below the inflation-plus-4% hurdle of roughly 7.0 to 7.5%. That single fact decides the call.

Starbucks is a good business that is currently priced as if the turnaround is already complete. The wealth preservation framework requires a positive bear case, a covered dividend, and a margin of safety. Starbucks fails all three tests at \$101.91. I would not commit capital here today. If the stock fell toward \$75, if the payout ratio fell below 60% on normalized earnings, and if labor litigation reached a documented settlement, the analysis would reopen. Those conditions do not exist now.

1. BUSINESS QUALITY ASSESSMENT

Starbucks operates three reportable segments. North America produces approximately 79% of revenue, with company-operated stores about 61% of that segment and licensed stores about 39%. The International segment produces approximately 14% of revenue, and 89% of those units are licensed. Channel Development contributes approximately 6% of revenue through consumer packaged goods, foodservice, and ready-to-drink products under the Nestlé Global Coffee Alliance. The November 2025 sale of a 60% stake in the China operations to Boyu Capital at a roughly \$4 billion enterprise value reduced capital intensity and geopolitical concentration, but it also removed a growth engine from consolidated earnings at exactly the moment China comps were softening.

The quality of the business rests on three pillars. The first is brand equity and the Rewards loyalty base. Loyalty members generate 60% of domestic company-operated revenue, and the program sustains repeat traffic. The second is low customer acquisition spend. Marketing has averaged 1.1% of sales over the past five years, far below the 4% to 5% royalty rates that franchise systems like McDonald’s and Dunkin’ typically charge. The third is capital-efficient distribution. The licensed model delivers royalties and product sales with limited capital outlay, and the Channel Development segment gives Starbucks access to Nestlé’s distribution network across roughly 80 countries.

The moat analysis from Firstrade rates the economic moat as wide with medium uncertainty. StockIntent labels the moat trend stable. The strongest source is brand equity, not network effects. The Rewards program is a loyalty mechanism, not a network, and that distinction matters. A loyalty program can unwind if the value proposition deteriorates, whereas a true network becomes more valuable as participation grows. The narrowest part of the moat is operational delivery. Store-level execution has been the core problem behind six consecutive quarters of comparable-sales declines before the recent inflection.

The business model is understandable. The risks are identifiable. The question is whether the cash flows are sufficiently protected to justify the current price. The answer, on the evidence assembled here, is no.

2. FINANCIAL FORTRESS ANALYSIS

The solvency picture is mixed and does not clear the wealth preservation thresholds. StockAnalysis reports total debt of \$22.45 billion against cash of \$3.61 billion. The current ratio is 0.76, below the framework threshold of 1.5. StockAnalysis also reports debt/EBITDA of 2.53 and debt/FCF of 6.16. The book value per share is negative \$6.73, and tangible book value per share is negative \$7.97. A negative equity base means the standard debt-to-equity ratio is not meaningful, but the absolute debt load is real. Stockrow adds that the Altman Z-score is 2.43, the F-score is 4 out of 9, and dividend safety is 26 out of 100. Those are not fortress characteristics.

There are offsetting facts. The company retired senior notes through cash tender offers in 2026. The disclosed principal accepted across two series totals approximately \$732 million, and the SEC filing index supports the conclusion that international restructuring proceeds funded part of the reduction. Stockrow reports total debt fell 23.3% year over year, and FCF rose 211% in the most recent quarter. Those moves improve the capital structure, but they do not eliminate the leverage.

The earnings quality picture is uneven. Operating cash flow exceeds net income by a wide margin, which normally confirms earnings quality. However, fiscal 2025 included \$892 million in restructuring and impairment charges, and net margin fell from 11.46% in fiscal 2023 to 4.99% in fiscal 2025. The free cash flow data conflict across sources. KoalaGains reports fiscal 2025 FCF of \$2.44 billion, a 6.57% margin, while the search summary attributes a \$4.99 billion FCF figure to fiscal 2025. Yahoo labels the \$4.99 billion figure as operating cash flow on a trailing basis, not free cash flow. I treat the \$2.44 billion FCF figure as the conservative input because it aligns with the stated margin and with the dividend coverage problem.

The company survives a recession. That is not in doubt. The balance sheet, even with negative book equity, has enough cash generation to service debt. The issue is whether the shareholder return is protected. On the conservative FCF figure, it is not.

3. DIVIDEND ANALYSIS

Starbucks pays a dividend, and the current yield is approximately 2.50%, implying an annual payout near \$2.55 per share. The track record is long. Stockrow reports 10 consecutive years of dividend growth, and the sources cite no dividend cut in the past decade. The dividend survived past recessions.

The current coverage is the problem. The trailing GAAP EPS is \$1.73, so the \$2.55 dividend implies a payout ratio near 147%. On the fiscal 2025 KoalaGains FCF figure of \$2.44 billion against \$2.77 billion in dividends paid, the FCF payout ratio is 114%. On the higher search-summary FCF figure of \$4.99 billion, the dividend would be covered, but that figure is not consistent with the audited fiscal-year cash flow data available here. I use the conservative figure.

The forward view is only slightly better. The fiscal 2026 consensus EPS is approximately \$2.60 per share. The same \$2.55 dividend would consume 98% of earnings. That leaves zero margin for a recession, a legal judgment, or a renewal of restructuring charges. A dividend that consumes all of earnings during a recovery is a

dividend at risk of a cut during a downturn.

The framework treats a dividend sustainability rating of AT RISK as a disqualifier for new capital. This analysis produces that rating. The dividend is safe only if the F2028 earnings recovery to \$3.94 lands on schedule, and that assumption already underpins the base case. A wealth preservation investor cannot accept a return stream that requires flawless execution on the cost program, the Siren System rollout, and the labor situation to avoid a payout reduction.

4. VALUATION ANALYSIS

The valuation is the clearest reason to avoid Starbucks at \$101.91. StockAnalysis reports a trailing P/E of 52.13x. FullRatio reports a five-year average P/E of 36.05x and a sector average of 17.74x. The stock therefore trades 44.6% above its own five-year average and approximately 194% above the consumer discretionary sector average. Even allowing for Starbucks' brand quality, this is a full valuation.

Other multiples reinforce the point. The forward P/E is 30.93x, but Yahoo shows 30.86x and Stockrow shows 43.2x on October 20, 2026, depending on the earnings estimate used. EV/EBITDA ranges from 21.67x to 23.80x depending on source. P/FCF is 28.4x. EV/FCF is 33.57x. The P/B ratio is not meaningful because book value is negative.

The analyst community sits at a consensus Hold with a target near \$110.57, representing about 11.3% upside from the current price. StockStory reports a consensus target of \$112.23. The search summary shows an average target of \$111.33 but links that to a 22.68% upside figure that uses a lower and unidentified current price. At \$101.91, the target upside is approximately 8.5% to 10.1%.

My base-case fair value is \$102.00 per share, using normalized EPS of \$3.30 and a 31x multiple. That is essentially the current price. The margin of safety is 0.1%. The framework requires at least 10% for a BUY under the valuation gate. Starbucks offers no cushion.

The valuation is not extreme by Starbucks' own history. It is extremely demanding relative to the earnings base. The \$2 billion cost-savings program and the F2028 EPS target of \$3.94 are visible in the current multiple already. A stumble in the turnaround removes the support.

5. SCENARIO ANALYSIS

BEAR CASE (25% weight)

A U.S. recession arrives in fiscal 2027. Comparable sales turn negative, and the transaction-led recovery stalls. EPS falls to \$2.20 by fiscal 2028. The dividend is cut 50% to protect the balance sheet. Terminal multiple compresses to 20x. The 10-year price target is \$62.00. Including a partial dividend recovery, the total return is approximately -2.9% CAGR. The bear case loses money over a decade. That is unacceptable for a wealth preservation mandate.

BASE CASE (50% weight)

The turnaround holds. North America comps sustain the recent 7% to 8% trajectory, and the \$2 billion cost program delivers. EPS reaches the consensus \$3.94 in fiscal 2028, then grows 7% annually. The dividend stays flat at \$2.55 until coverage normalizes, then resumes modest growth. Terminal multiple is 26x. The 10-year price target is \$176.00. The total return is approximately 8.1% CAGR. This clears the hurdle, but only if the recovery executes flawlessly and the multiple does not mean-revert toward the peer average.

BULL CASE (25% weight)

The Siren System lifts cold-beverage throughput by 40% to 50%. Channel Development scales from \$2 billion toward \$2.5 to \$3 billion. International comps recover, and China no longer drags consolidated results after the JV. EPS reaches \$4.20 in fiscal 2028 and grows 10% annually. Terminal multiple expands to 30x. The 10-year price target is \$270.00. The total return is approximately 12.8% CAGR.

The probability-weighted return is 6.5%, below the 7.0% to 7.5% hurdle. The bear case is negative, and it has a non-trivial probability. That combination removes Starbucks from the BUY list.

6. RISK ASSESSMENT

The dominant risk is labor. The National Labor Relations Board rulings, strikes, dress-code conflicts, and store closures of some unionized locations create a direct financial and operational exposure. A federal court has ruled that Starbucks must face a shareholder lawsuit alleging management misled investors by not disclosing the financial impact of its anti-union posture. That converts a reputational issue into a legal liability. The holiday quarter is the most sensitive period, and the sources identify labor as the most immediate threat to holiday throughput.

The second risk is valuation. At 52x trailing earnings, the stock prices in a recovery that is only one or two quarters old. MarketBeat points to a trailing P/E near 51 and a forward P/E near 28, warning that a miss against high expectations could trigger a significant correction. The three-month momentum is already negative at -4.62%, according to CSIMarket.

The third risk is execution. The Siren System targets a 40% to 50% improvement in cold-beverage throughput, but the rollout runs through fiscal 2026 and 2027. The remodel program costs up to \$150,000 per store, and management is assessing the North American footprint for closures. Those actions depress near-term revenue even as they improve long-term economics.

The fourth risk is competition. Dutch Bros is expanding rapidly, and the broader quick-service coffee market remains heavily contested. China pricing and share recovery remain open questions after the Boyu Capital transaction. The International segment reported comps of 2.6% in the most recent quarter against a 4% estimate, and China comps of 0.5% against a 3.4% consensus.

The fifth risk is dividend coverage. The payout ratio above 100% means the income component of the thesis depends entirely on the earnings recovery. A dividend cut would damage the total return and likely force a sell-off from income-oriented holders.

No source in the packet alleges executive misconduct or going-concern risk. The accounting questions are limited to the FCF and margin inconsistencies already discussed. The risk is concentrated in valuation, labor, and the sustainability of the current comp inflection.

7. MANAGEMENT & GOVERNANCE

CEO Brian Niccol leads the turnaround. StockSentinel rates management alignment 8 out of 10, citing incentive compensation tied to store-level throughput, ROIC, and multi-year total shareholder return. Revenue quality scores 8 out of 10, market position 8 out of 10, growth outlook 7 out of 10, and financial health 7 out of 10. Firsttrade rates capital allocation Exemplary as of October 29, 2025.

The capital allocation record is improving. The company completed cash tender offers that retired approximately \$732 million in principal across two disclosed note series. Total debt fell 23.3% year over year. The November 2025 China transaction reduced geopolitical concentration and freed capital for debt reduction. These are shareholder-friendly actions.

Governance red flags are present but not disqualifying on their own. The New York City Comptroller's Office filed an exempt solicitation on March 31, 2026, signaling a proxy position whose subject matter is not disclosed in the sources. Elliott Management appears as an activist shareholder. Insider ownership is only 0.10%, while institutions hold 86.5%. The International CEO, Brady Brewer, executed pre-planned 10b5-1 sales at prices near \$104 to \$106 per share during the July to October 2026 window. These sales are routine and plan-based, but they do not signal insider confidence in near-term upside.

The shareholder lawsuit is the most material governance item. The allegation that management failed to disclose the financial impact of its anti-union posture survived a motion to dismiss. Even if the company ultimately prevails, the litigation imposes discovery costs and management distraction during the turnaround. That reduces the margin for operational error.

8. PEER COMPARISON

Company / Ticker	P/E	EV/FCF	Beta	TTM Return	Q2 2026 Revenue Growth	Dividend Yield
SBUX	55.65x	33.7x	0.88	+17.90%	-1.4% Y/Y	2.50%
MCD	n/a	27.1x	0.20	-17.94%	+3.7% Y/Y	n/a
CMG	n/a	23.7x	n/a	n/a	+9.3% Y/Y	n/a
YUM	n/a	31.7x	n/a	n/a	+12.2% Y/Y	n/a
QSR	n/a	22.8x	n/a	n/a	+4.6% Y/Y	n/a
DRI	n/a	24.6x	n/a	n/a	n/a	n/a

The available peer data are incomplete, but the pattern is clear. Starbucks is the most expensive name in the set on EV/FCF at 33.7x. The P/E of 55.65x is 177% above the peer median of 20.09x reported by BusinessQuant. Even against YUM, the closest branded franchisor comparison at 31.7x EV/FCF, Starbucks carries a premium.

The beta of 0.88 sits above McDonald's 0.20, meaning Starbucks has more market sensitivity than the larger franchisor. The TTM return of 17.90% looks strong, but the trailing twelve-month window includes the recovery from the fiscal 2025 earnings trough. The negative three-month momentum of -4.62% suggests the market has begun to digest the valuation.

Starbucks' revenue declined 1.4% year over year in the most recent quarter, while MCD grew 3.7%, CMG grew 9.3%, YUM grew 12.2%, and QSR grew 4.6%. Starbucks is the only peer in this set with negative revenue growth. Paying the highest multiple in the set for the weakest revenue growth is a poor risk-adjusted proposition.

9. KEY METRICS SUMMARY

Metric	Value	Source / Period
Current Price	\$101.91 / €90.96	Authoritative live quote
Market Cap	~\$116B	Calculated at current price
Trailing Revenue	\$38.34B	TTM, Yahoo/StockAnalysis
FY2025 Revenue	\$37.18B	SEC 10-K
FY2025 Net Income	\$1.86B	SEC 10-K

Metric	Value	Source / Period
FY2025 Diluted EPS	\$1.63	SEC 10-K
Trailing EPS	\$1.73	TTM, StockAnalysis
FY2026 Consensus EPS	~\$2.60	Zacks/Public.com
F2028 Bull Case EPS	\$3.94	Public.com
Trailing P/E	52.13x	StockAnalysis
5Y Avg P/E	36.05x	FullRatio
Forward P/E	30.93x	StockAnalysis
EV/EBITDA	21.67x – 23.80x	StockAnalysis/Yahoo
P/FCF	28.40x	StockAnalysis
EV/FCF	33.57x – 33.7x	StockAnalysis/Stockrow
Dividend Yield	2.50%	Stockrow
Payout Ratio (GAAP)	~147%	Calculated
Payout Ratio (FCF)	>100%	Calculated, conservative FCF
Total Debt	\$22.45B	StockAnalysis
Cash	\$3.61B	StockAnalysis
Current Ratio	0.76	StockAnalysis
Book Value / Share	-\$6.73	ChartMill
Short Float	3.5%	ChartMill
Days to Cover	5.65	ChartMill
Consensus Rating	Hold	MarketBeat, 23 Buy / 12 Hold / 5 Sell
Consensus Target	\$110.57 – \$112.23	MarketBeat / StockStory

10. MONITORING CHECKLIST

Item	Current	Trigger to Reassess
Global comparable sales	+7.9% Q3 FY2026	Below +3% or two consecutive negative prints
North America traffic	+4.5% Q3 FY2026	Consecutive quarterly declines in transactions
U.S. Rewards active members	35.5M	Consecutive quarterly member losses
Non-GAAP operating margin	~12.9% TTM	Below 10% sustained
Channel Development growth	+19.8% Q1 FY2026	Below +5% YoY
Dividend payout ratio	~147% GAAP	No path below 75% on normalized EPS within 2 years
Debt tender / debt reduction	\$732M principal accepted	Re-leveraging or large acquisition

Item	Current	Trigger to Reassess
Labor litigation / NLRB	Ongoing	Material adverse ruling, nationwide strike, or large scale
China JV performance	60% sold to Boyu	Further China impairment or JV write-down
Analyst consensus	Hold	Further downgrades or target cuts below \$100

11. MARKET EXPECTATIONS & CONSENSUS

The current price of \$101.91 implies a market expectation of rapid earnings recovery. Public.com describes the stock as already discounting the \$2 billion cost-savings program, easing coffee inflation, sales leverage, and international refranchising. Those assumptions support an estimated F2028 EPS of \$3.94, a 15.1% consolidated EBIT margin, and average 2026 to 2028 EPS growth of 23%. The near-term consensus is a 17.5% EPS increase over the next twelve months.

The consensus rating is a weak Hold. MarketBeat shows 23 Buy, 12 Hold, and 5 Sell ratings across 40 analysts, with a target of \$110.57 and 11.27% upside from the price used in that source. StockStory reports a target of \$112.23. Simply Wall St shows a wide dispersion, with the high target implying 30.6% undervaluation and the low target implying 8.5% overvaluation, while an independent bear model implies 41.2% overvaluation.

The bull case rests on North America traffic of +4.5%, ticket of +3.5%, and a reported operating margin near 13.6% supported by tariff refunds. The bear case rests on the reality that International comps of 2.6% missed the 4% estimate, China comps of 0.5% missed the 3.4% consensus, and Channel Development margins of 40.5% missed the 41.7% estimate. Management is raising directional guidance, but segment-level execution remains below consensus on multiple lines.

Short interest is limited. ChartMill reports a short float of 3.5% and days to cover of 5.65. That is not a crowded short, and it reduces the probability of a short-squeeze-style repricing. The stock is not being held up by fear of a squeeze; it is being held up by a genuine belief in the turnaround that is only partially supported by the most recent quarter.

Forward Valuation (from available data):

Metric	Value	vs. Sector Avg	Assessment
Forward P/E	30.93x	Sector ~17.7x	Expensive
PEG	1.89x	n/a	Valuation embeds recovery
EV/EBITDA	21.67x – 23.80x	n/a	Elevated
Beta	0.88	MCD 0.20	Moderate market sensitivity
ROE	Not provided	n/a	Not assessable
52-Week Range	Not provided	n/a	Not provided
Debt/Equity	Not meaningful	n/a	Negative book equity

12. KEY BUSINESS DRIVERS

Driver 1: Global comparable store sales, split between transactions and average ticket.

Why it matters: It separates volume recovery from price-led recovery. Transaction-led comps are higher quality.

Current level: +7.9% globally, +8.1% North America, with +4.5% traffic and +3.5% ticket in the latest reported quarter.

Bull threshold: Sustained global comps above 7% with traffic positive.

Bear threshold: Two consecutive quarters below 3%, or a return to transaction declines.

Next data point: Q4 FY2026 earnings on October 28 or 29, 2026.

Driver 2: U.S. Starbucks Rewards active membership.

Why it matters: The loyalty base is the pricing-power engine and the leading indicator of future traffic.

Current level: 35.5 million active members, approximately 60% of domestic company-operated revenue.

Bull threshold: Stable or growing membership with rising average spend per member.

Bear threshold: Consecutive quarterly declines in active members or declining U.S. transaction counts.

Next data point: Quarterly earnings release.

Driver 3: Non-GAAP operating margin.

Why it matters: It measures whether the cost-savings program and Siren System are translating into profitability.

Current level: TTM operating margin near 12.9% per Yahoo; Q3 reported margin near 13.6% with tariff refund support.

Bull threshold: Sustained margin above 13% excluding one-time tariff refunds.

Bear threshold: Sustained margin below 10%, the thesis-breaker level flagged by Flash/StockSentinel.

Next data point: Q4 FY2026 earnings.

Driver 4: Channel Development revenue growth.

Why it matters: The Nestlé alliance is the highest-margin growth vector outside the store base.

Current level: +19.8% year over year in Q1 FY2026, the fastest-growing segment.

Bull threshold: Growth above 10% with licensing margins near 80%.

Bear threshold: Growth below 5% or margin compression below 40%.

Next data point: Quarterly segment disclosure.

Driver 5: Siren System rollout and cold-beverage throughput.

Why it matters: Cold beverages are over 70% of U.S. orders, and the Siren System targets a 40% to 50% throughput lift.

Current level: Rollout planned through FY2026 to FY2027.

Bull threshold: Confirmed throughput gains measured in reduced service times and higher transaction counts.

Bear threshold: Delays in rollout or no measurable throughput improvement by end of FY2027.

Next data point: Management commentary on equipment deployment and service metrics.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker / Symbol	Relationship	Signal
Consumer Discretionary Select Sector SPDR	XLY	Leads restaurant equity sentiment	Bullish if XLY holds above its 200-day moving average

Proxy	Ticker / Symbol	Relationship	Signal
McDonald's Corporation	MCD	Competitor and QSR traffic proxy	Bullish if MCD U.S. comps stabilize; bearish if they weaken
iPath Series B Bloomberg Coffee Subindex		Tracks coffee futures input cost	Bullish if coffee prices fall or stabilize; bearish if they rise
iShares China Large-Cap ETF	FXI	China demand proxy post-JV	Bullish if FXI strengthens on consumer recovery

Monitoring rule: If XLY breaks below its 200-day moving average and MCD U.S. comps weaken in the same quarter, re-evaluate the Starbucks thesis within five trading days.

EXIT TRIGGERS

For a BUY recommendation, the following triggers would force a sell or re-review. This report currently holds an AVOID, so these become the conditions that would upgrade or degrade the name.

- A dividend cut or a change in dividend policy: Treat as immediate thesis break. It confirms the payout was unsustainable and removes the income component.
- Sustained non-GAAP operating margin below 10%: Treat as a fundamental deterioration of the turnaround.
- Consecutive quarterly declines in U.S. Rewards active members: Treat as a leading signal of brand erosion.
- A material adverse NLRB ruling, nationwide strike, or large legal settlement: Treat as a permanent cost increase and re-baseline earnings.
- A reversal of the debt reduction program through a large debt-funded acquisition: Treat as a governance deterioration.
- A decline in the stock to approximately \$75 without a concurrent deterioration in the turnaround metrics: Treat as a valuation re-entry point and reopen the analysis.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

ANALYST NOTES

Key Assumptions:

- The authoritative current price is \$101.91 per share, equivalent to €90.96 using the supplied conversion.
- The conservative fiscal 2025 free cash flow figure of \$2.44 billion is the basis for dividend coverage.
- The base case assumes the consensus F2028 EPS of \$3.94 materializes.
- The bear case assumes a recession with a dividend cut and multiple compression.
- The probability weights are 25% bear, 50% base, and 25% bull.

Limitations:

- The dataset does not provide a clean five-year fiscal-year EBITDA, gross margin, operating margin, or free cash flow series. TTM figures conflict across Yahoo Finance, Investing.com, StockAnalysis, Stockrow, and KoalaGains.
- The next earnings date is either October 28 or October 29, 2026. The sources disagree by one day and \$0.02 on consensus EPS.
- The SEC filing texts were not fully reproduced. Risk factor changes, MD&A tone, and auditor commentary are not directly readable from the collected excerpts.

- The China JV terms are disclosed only at the headline level. Segment-level financials for the deconsolidated entity are not available.
- The 52-week range and ROE are not provided in the dataset.

Confidence Level: MEDIUM

The AVOID call is driven by valuation, dividend coverage, and a negative bear case. The data are sufficient to form that view, but the earnings recovery trajectory remains uncertain, and a decisive improvement in comps plus a covered dividend would materially change the conclusion.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

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