STARBUCKS CORP
Form 10-Q
January 26, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended December 27, 2015
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .
Commission File Number: 0-20322
Starbucks Corporation
(Exact Name of Registrant as Specified in its Charter)

Washington	91-1325671
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

2401 Utah Avenue South, Seattle, Washington 98134
(Address of principal executive offices)
(206) 447-1575
(Registrant's Telephone Number, including Area Code)
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ¨ No x
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title	Shares Outstanding as of January 20, 2016
Common Stock, par value $0.001 per share	1,478.1 million

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PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
STARBUCKS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(in millions, except per share data)
(unaudited)

	Quarter Ended	
	Dec 27, 2015	Dec 28, 2014
Net revenues:		
Company-operated stores	$4,210.6	$3,772.8
Licensed stores	540.6	483.9
CPG, foodservice and other	622.3	546.5
Total net revenues	5,373.5	4,803.2
Cost of sales including occupancy costs	2,186.2	1,991.2
Store operating expenses	1,506.2	1,315.5
Other operating expenses	146.2	129.4
Depreciation and amortization expenses	235.5	206.0
General and administrative expenses	305.5	298.4
Total operating expenses	4,379.6	3,940.5
Income from equity investees	64.1	52.8
Operating income	1,058.0	915.5
Gain resulting from acquisition of joint venture	—	390.6
Interest income and other, net	8.1	9.7
Interest expense	(16.5)	(16.3)
Earnings before income taxes	1,049.6	1,299.5
Income tax expense	361.9	315.0
Net earnings including noncontrolling interests	687.7	984.5
Net earnings/(loss) attributable to noncontrolling interests	0.1	1.4
Net earnings attributable to Starbucks	$687.6	$983.1
Earnings per share - basic	$0.46	$0.66
Earnings per share - diluted	$0.46	$0.65
Weighted average shares outstanding:		
Basic	1,485.9	1,498.8
Diluted	1,503.3	1,516.8
Cash dividends declared per share	$0.20	$0.16

See Notes to Condensed Consolidated Financial Statements

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STARBUCKS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions, unaudited)

	Quarter Ended	
	Dec 27, 2015	Dec 28, 2014
Net earnings including noncontrolling interests	$687.7	$984.5
Other comprehensive income/(loss), net of tax:		
Unrealized holding gains/(losses) on available-for-sale securities	1.0	(0.6)
Tax (expense)/benefit	(0.4)	0.2
Unrealized gains/(losses) on cash flow hedging instruments	5.8	51.7
Tax (expense)/benefit	(2.7)	(12.9)
Unrealized gains/(losses) on net investment hedging instruments	—	4.3
Tax (expense)/benefit	—	(1.6)
Translation adjustment	(26.1)	(156.4)
Tax (expense)/benefit	1.7	3.8
Reclassification adjustment for net (gains)/losses realized in net earnings for available-for-sale securities, hedging instruments, and translation adjustment	(7.7)	(59.8)
Tax expense/(benefit)	2.7	17.2
Other comprehensive income/(loss)	(25.7)	(154.1)
Comprehensive income including noncontrolling interests	662.0	830.4
Comprehensive income/(loss) attributable to noncontrolling interests	0.1	(30.4)
Comprehensive income attributable to Starbucks	$661.9	$860.8

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STARBUCKS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)
(unaudited)

	Dec 27, 2015	Sep 27, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$2,263.5	$1,530.1
Short-term investments	116.4	81.3
Accounts receivable, net	764.4	719.0
Inventories	1,242.6	1,306.4
Prepaid expenses and other current assets	340.8	334.2
Total current assets	4,727.7	3,971.0
Long-term investments	366.9	312.5
Equity and cost investments	289.6	352.0
Property, plant and equipment, net	4,122.5	4,088.3
Deferred income taxes, net	938.5	1,180.8
Other long-term assets	416.9	415.9
Other intangible assets	509.1	520.4
Goodwill	1,572.3	1,575.4
TOTAL ASSETS	$12,943.5	$12,416.3
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$648.0	$684.2
Accrued liabilities	1,686.0	1,755.3
Insurance reserves	237.5	224.8
Stored value card liability	1,448.8	983.8
Current portion of long-term debt	399.8	—
Total current liabilities	4,420.1	3,648.1
Long-term debt	1,947.9	2,347.5
Other long-term liabilities	592.1	600.9
Total liabilities	6,960.1	6,596.5
Shareholders’ equity:		
Common stock ($0.001 par value) — authorized, 2,400.0 shares; issued and outstanding, 1,485.6 shares and 1,485.1 shares, respectively	1.5	1.5
Additional paid-in capital	41.1	41.1
Retained earnings	6,164.0	5,974.8
Accumulated other comprehensive loss	(225.1)	(199.4)
Total shareholders’ equity	5,981.5	5,818.0
Noncontrolling interest	1.9	1.8
Total equity	5,983.4	5,819.8
TOTAL LIABILITIES AND EQUITY	$12,943.5	$12,416.3

See Notes to Condensed Consolidated Financial Statements

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STARBUCKS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions, unaudited)

	Quarter Ended	
	Dec 27, 2015	Dec 28, 2014
OPERATING ACTIVITIES:		
Net earnings including noncontrolling interests	$687.7	$984.5
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	247.3	216.3
Deferred income taxes, net	225.2	100.0
Income earned from equity method investees	(47.0)	(35.6)
Distributions received from equity method investees	69.3	35.8
Gain resulting from acquisition/sale of equity in joint ventures	(0.6)	(390.6)
Stock-based compensation	57.3	51.9
Excess tax benefit on share-based awards	(67.2)	(53.3)
Other	18.0	8.5
Cash provided by changes in operating assets and liabilities:		
Accounts receivable	(65.1)	(9.3)
Inventories	60.6	92.0
Accounts payable	(28.2)	(20.8)
Income taxes payable, net	48.7	(17.8)
Accrued liabilities and insurance reserves	(27.3)	40.3
Stored value card liability	468.9	408.4
Prepaid expenses, other current assets and other long-term assets	(11.6)	14.9
Net cash provided by operating activities	1,636.0	1,425.2
INVESTING ACTIVITIES:		
Purchases of investments	(145.6)	(133.1)
Sales of investments	85.3	177.5
Maturities and calls of investments	0.8	7.4
Acquisitions, net of cash acquired	—	(284.3)
Additions to property, plant and equipment	(331.8)	(291.8)
Proceeds from sale of equity in joint venture	30.2	—
Other	1.0	1.8
Net cash used by investing activities	(360.1)	(522.5)
FINANCING ACTIVITIES:		
Cash restricted for purchase of noncontrolling interest	—	(257.6)
Proceeds from issuance of common stock	48.4	64.1
Excess tax benefit on share-based awards	67.2	53.3
Cash dividends paid	(297.0)	(239.5)
Repurchase of common stock	(245.8)	(215.0)
Minimum tax withholdings on share-based awards	(101.3)	(71.8)
Other	(0.2)	(1.8)
Net cash used by financing activities	(528.7)	(668.3)
Effect of exchange rate changes on cash and cash equivalents	(13.8)	(85.8)
Net increase in cash and cash equivalents	733.4	148.6
CASH AND CASH EQUIVALENTS:		
Beginning of period	1,530.1	1,708.4
End of period	$2,263.5	$1,857.0

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest, net of capitalized interest	$34.4	$19.7
Income taxes, net of refunds	$86.7	$231.2

See Notes to Condensed Consolidated Financial Statements

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STARBUCKS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1: Summary of Significant Accounting Policies

Financial Statement Preparation

The unaudited condensed consolidated financial statements as of December 27, 2015, and for the quarters ended December 27, 2015 and December 28, 2014, have been prepared by Starbucks Corporation under the rules and regulations of the Securities and Exchange Commission (“SEC”). In the opinion of management, the financial information for the quarters ended December 27, 2015 and December 28, 2014 reflects all adjustments and accruals, which are of a normal recurring nature, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. In this Quarterly Report on Form 10-Q (“10-Q”), Starbucks Corporation is referred to as “Starbucks,” the “Company,” “we,” “us” or “our.”

The financial information as of September 27, 2015 is derived from our audited consolidated financial statements and notes for the fiscal year ended September 27, 2015 (“fiscal 2015”) included in Item 8 in the Fiscal 2015 Annual Report on Form 10-K (the “10-K”). The information included in this 10-Q should be read in conjunction with the footnotes and management’s discussion and analysis of the consolidated financial statements in the 10-K.

The results of operations for the quarter ended December 27, 2015 are not necessarily indicative of the results of operations that may be achieved for the entire fiscal year ending October 2, 2016 ("fiscal 2016"). Additionally, our 2016 fiscal year will include 53 weeks, with the 53rd week falling in our fourth fiscal quarter.

Stock Split

On April 9, 2015, we effected a two-for-one stock split of our $0.001 par value common stock for shareholders of record as of March 30, 2015. All share and per-share data in our consolidated financial statements and notes has been retroactively adjusted to reflect this stock split. We adjusted shareholders' equity to reflect the stock split by reclassifying an amount equal to the par value of the additional shares arising from the split from retained earnings to common stock during the second quarter of fiscal 2015, resulting in no net impact to shareholders' equity on our consolidated balance sheets.

Recent Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board ("FASB") issued guidance on the recognition and measurement of financial instruments. This guidance retains the current accounting for classifying and measuring investments in debt securities and loans, but requires equity investments to be measured at fair value with subsequent changes recognized in net income, except for those accounted for under the equity method or requiring consolidation. The guidance also changes the accounting for investments without a readily determinable fair value and that do not qualify for the practical expedient to estimate fair value. A policy election can be made for these investments whereby estimated fair value may be measured at cost and adjusted in subsequent periods for any impairment or changes in observable prices of identical or similar investments. We are currently evaluating the impact this guidance will have on our consolidated financial statements and it will become effective for us at the beginning of our first quarter of fiscal 2019.

In November 2015, the FASB issued guidance on the presentation of deferred income taxes that requires deferred tax assets and liabilities, along with related valuation allowances, to be classified as noncurrent on the balance sheet. As a result, each tax jurisdiction will now only have one net noncurrent deferred tax asset or liability. The new guidance does not change the existing requirement that prohibits offsetting deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction. During the first quarter of fiscal 2016, we elected to early-adopt this guidance retrospectively. The following table summarizes the adjustments made to conform prior period classifications with the new guidance (in millions):

	September 27, 2015		
	As Filed	Reclass	As Adjusted
Current deferred income tax assets	$381.7	$(381.7)	$—
Long-term deferred income tax assets	828.9	351.9	1,180.8
Current deferred income tax liabilities (included in Accrued liabilities)	5.4	(5.4)	—

Long-term deferred income tax liabilities (included in Other long-term liabilities)	67.8	(24.4)	43.4
Net deferred tax asset	$1,137.4	$—	$1,137.4

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In September 2015, the FASB issued guidance on the recognition of adjustments to preliminary amounts recognized in a business combination, which removes the requirement to retrospectively account for these adjustments. The guidance will become effective for us at the beginning of our first quarter of fiscal 2017. We will apply the guidance prospectively and do not expect the adoption will have a material impact on our consolidated financial statements.

In July 2015, the FASB issued guidance on the subsequent measurement of inventory, which changes the measurement from lower of cost or market to lower of cost and net realizable value. The guidance will require prospective application at the beginning of our first quarter of fiscal 2018, but permits adoption in an earlier period. We are currently evaluating the impact this guidance will have on our consolidated financial statements and the timing of adoption.

In April 2015, the FASB issued guidance on the financial statement presentation of debt issuance costs. This guidance requires debt issuance costs to be presented on the balance sheet as a reduction of the related debt liability rather than an asset. The guidance will become effective for us at the beginning of our first quarter of fiscal 2017 and will only result in an immaterial change in presentation of these costs on our consolidated balance sheets.

In February 2015, the FASB issued guidance that changes the evaluation criteria for consolidation and related disclosure requirements. This guidance introduces evaluation criteria specific to limited partnerships and other similar entities, as well as amends the criteria for evaluating variable interest entities with which the reporting entity is involved and certain investment funds. The guidance will become effective for us at the beginning of our first quarter of fiscal 2017. We do not expect the adoption of this guidance will have a material impact on our consolidated financial statements.

In May 2014, the FASB issued guidance outlining a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that supersedes most current revenue recognition guidance. This guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The original effective date of the guidance would have required us to adopt at the beginning of our first quarter of fiscal 2018. In July 2015, the FASB approved an optional one-year deferral of the effective date. The new guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. We are currently evaluating the overall impact this guidance will have on our consolidated financial statements, as well as the expected timing and method of adoption. Based on our preliminary assessment, we determined the adoption will change the timing of recognition and classification of our stored value card breakage income, which is currently recognized using the remote method and recorded in net interest income and other. The new guidance will require application of the proportional method and classification within total net revenues on our consolidated statements of earnings. Additionally, the new guidance requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and significant judgments in measurement and recognition. We are continuing our assessment, which may identify other impacts.

In April 2014, the FASB issued guidance that changes the criteria for reporting discontinued operations. To qualify as a discontinued operation under the amended guidance, a component or group of components of an entity that has been disposed of or is classified as held for sale must represent a strategic shift that has or will have a major effect on the entity's operations and financial results. This guidance also expands related disclosure requirements. The guidance became effective for us on a prospective basis at the beginning of our first quarter of fiscal 2016 and had no impact on our consolidated financial statements.

Note 2: Acquisitions and Divestitures

Fiscal 2016

In the first quarter of fiscal 2016, we sold our 49% ownership interest in our Spanish joint venture, Starbucks Coffee España, S.L. ("Starbucks Spain"), to our joint venture partner, Sigla S.A. (Grupo Vips), for a total purchase price of $30.2 million. This transaction resulted in a gain of $0.6 million, which was included in net interest income and other on the consolidated statements of earnings for the quarter ended December 27, 2015.

Fiscal 2015

On September 23, 2014, we entered into a tender offer bid agreement with Starbucks Coffee Japan, Ltd. ("Starbucks Japan"), at the time a 39.5% owned equity method investment, and our former joint venture partner, Sazaby League, Ltd. ("Sazaby"), to acquire the remaining 60.5% ownership interest in Starbucks Japan for approximately $876 million, through a two-step tender offer. On October 31, 2014, we acquired a controlling interest in Starbucks Japan by funding the first tender offer step with $509 million in offshore cash. We assumed full ownership in the second quarter of fiscal 2015 by completing the second tender offer step, and completed the related cash-out procedure during the remainder of fiscal 2015, which utilized a combined total of $362 million in offshore cash. The remaining amount of the cash-out procedure is immaterial to our consolidated financial statements and represents cash that was unclaimed by minority shareholders, which was recorded in accrued liabilities on our consolidated balance sheets. There are no legal restrictions on the remaining unclaimed balance.

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The following table summarizes the final allocation of the total consideration to the fair values of the assets acquired and liabilities assumed as of October 31, 2014, which are reported within our China/Asia Pacific segment, and has been adjusted for the reclassification of deferred income taxes as discussed in Note 1, Summary of Significant Accounting Policies (in millions):

Consideration:	
Cash paid for Sazaby's 39.5% equity interest	$508.7
Fair value of our preexisting 39.5% equity interest	577.0
Total consideration	$1,085.7
Fair value of assets acquired and liabilities assumed:	
Cash and cash equivalents	$224.4
Accounts receivable, net	37.4
Inventories	26.4
Prepaid expenses and other current assets	35.7
Property, plant and equipment	282.9
Other long-term assets	141.4
Other intangible assets	323.0
Goodwill	815.6
Total assets acquired	1,886.8
Accounts payable	(54.5)
Accrued liabilities	(115.9)
Stored value card liability	(36.5)
Deferred income taxes	(67.3)
Other long-term liabilities	(115.8)
Total liabilities assumed	(390.0)
Noncontrolling interest	(411.1)
Total consideration	$1,085.7

The balance of goodwill and the gross carrying value of acquired intangible assets declined $86.3 million and $34.2 million to $729.3 million and $288.8 million, respectively, from the acquisition date to December 27, 2015, due to foreign currency translation. Accumulated amortization related to the acquired intangible assets was $51.8 million as of December 27, 2015.

As a result of this acquisition, we remeasured the carrying value of our preexisting 39.5% equity method investment to fair value, which resulted in a pre-tax gain of $390.6 million that was recorded in the first quarter of fiscal 2015 and was presented separately as gain resulting from acquisition of joint venture within other income on our consolidated statements of earnings.

Note 3: Derivative Financial Instruments

Interest Rates

Depending on market conditions, we enter into interest rate swap agreements to hedge the variability in cash flows due to changes in benchmark interest rates related to anticipated debt issuances. These agreements are cash settled at the time of the pricing of the related debt. The effective portion of the derivative's gain or loss is recorded in accumulated other comprehensive income ("AOCI") and is subsequently reclassified to interest expense over the life of the related debt.

Foreign Currency

To reduce cash flow volatility from foreign currency fluctuations, we enter into forward and swap contracts to hedge portions of cash flows of anticipated intercompany royalty payments, inventory purchases, and intercompany borrowing and lending activities. The effective portion of the derivative's gain or loss is recorded in AOCI and is subsequently reclassified to revenue, cost of sales including occupancy costs, or net interest income and other, respectively, when the hedged exposure affects net earnings.

We also enter into forward contracts to hedge the foreign currency exposure of our net investment in certain foreign operations. The effective portion of the derivative's gain or loss is recorded in AOCI and will be subsequently reclassified to net earnings when the hedged net investment is either sold or substantially liquidated.

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To mitigate the foreign exchange risk of certain balance sheet items, we enter into foreign currency forward contracts that are not designated as hedging instruments. Gains and losses from these derivatives are largely offset by the financial impact of translating foreign currency denominated payables and receivables; both are recorded in net interest income and other.

Commodities

Depending on market conditions, we enter into coffee futures contracts and collars (the combination of a purchased call option and a sold put option) to hedge a portion of anticipated cash flows under our price-to-be-fixed green coffee contracts, which are described further in Note 5, Inventories. The effective portion of each derivative's gain or loss is recorded in AOCI and is subsequently reclassified to cost of sales including occupancy costs when the hedged exposure affects net earnings.

To mitigate the price uncertainty of a portion of our future purchases of dairy products and diesel fuel, we enter into dairy swap contracts, futures and collars that are not designated as hedging instruments. Gains and losses from these derivatives are recorded in net interest income and other and help to offset price fluctuations on our dairy purchases and the financial impact of diesel fuel fluctuations on our shipping costs, which are included in cost of sales including occupancy costs on our consolidated statements of earnings.

Gains and losses on derivative contracts designated as hedging instruments included in AOCI and expected to be reclassified into earnings within 12 months, net of tax (in millions):

	Net Gains/(Losses) Included in AOCI		Net Gains/(Losses) Expected to be Reclassified from AOCI into Earnings within 12 Months	Outstanding Contract Remaining Maturity (Months)
	Dec 27, 2015	Sep 27, 2015		
Cash Flow Hedges:				
Interest rates	$31.2	$30.1	$3.5	1
Cross-currency swaps	(30.8)	(27.8)	—	108
Foreign currency - other	29.7	29.0	19.6	35
Coffee	(6.7)	(5.7)	(5.7)	9
Net Investment Hedges:				
Foreign currency	1.3	1.3	—	0

Pretax gains and losses on derivative contracts designated as hedging instruments recognized in other comprehensive income ("OCI") and reclassifications from AOCI to earnings (in millions):

	Quarter Ended			
	Gains/(Losses) Recognized in OCI Before Reclassifications		Gains/(Losses) Reclassified from AOCI to Earnings	
	Dec 27, 2015	Dec 28, 2014	Dec 27, 2015	Dec 28, 2014
Cash Flow Hedges:				
Interest rates	$3.1	$0.3	$1.5	$1.3
Cross-currency swaps	(5.3)	37.8	(1.8)	63.1
Foreign currency - other	9.3	16.4	8.5	3.9
Coffee	(1.3)	(2.8)	(0.1)	(1.6)
Net Investment Hedges:				
Foreign currency	—	4.3	—	7.2

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Pretax gains and losses on derivative contracts not designated as hedging instruments recognized in earnings (in millions):

	Gains/(Losses) Recognized in Earnings	
	Quarter Ended	
	Dec 27, 2015	Dec 28, 2014
Foreign currency - other	$2.1	$18.6
Coffee	(0.1)	—
Dairy	(5.6)	(4.5)
Diesel fuel	(4.7)	(7.6)

Notional amounts of outstanding derivative contracts (in millions):

	Dec 27, 2015	Sep 27, 2015
Interest rates	$375	$125
Cross-currency swaps	607	717
Foreign currency - other	561	577
Coffee	28	38
Dairy	65	43
Diesel fuel	23	14

The fair values of our derivative assets and liabilities are included in Note 4, Fair Value Measurements, and additional disclosures related to cash flow and net investment hedge gains and losses included in accumulated other comprehensive income, as well as subsequent reclassifications to earnings, are included in Note 8, Equity.

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Note 4: Fair Value Measurements
Assets and Liabilities Measured at Fair Value on a Recurring Basis (in millions):

		Fair Value Measurements at Reporting Date Using		
	Balance at Dec 27, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$2,263.5	$ 2,263.5	$ —	$ —
Short-term investments:				
Available-for-sale securities				
Corporate debt securities	5.6	—	5.6	—
Equity securities	28.6	—	28.6	—
Foreign government obligations	6.0	—	6.0	—
U.S. government treasury securities	6.6	6.6	—	—
Total available-for-sale securities	46.8	6.6	40.2	—
Trading securities	69.6	69.6	—	—
Total short-term investments	116.4	76.2	40.2	—
Prepaid expenses and other current assets:				
Derivative assets	54.7	—	54.7	—
Long-term investments:				
Available-for-sale securities				
Agency obligations	4.8	—	4.8	—
Corporate debt securities	138.4	—	138.4	—
Auction rate securities	5.7	—	—	5.7
Foreign government obligations	14.5	—	14.5	—
U.S. government treasury securities	146.6	146.6	—	—
State and local government obligations	8.6	—	8.6	—
Mortgage and other asset-backed securities	48.3	—	48.3	—
Total long-term investments	366.9	146.6	214.6	5.7
Other long-term assets:				
Derivative assets	50.1	—	50.1	—
Total assets	$2,851.6	$ 2,486.3	$ 359.6	$ 5.7
Liabilities:				
Accrued liabilities:				
Derivative liabilities	$27.5	$ 6.5	$ 21.0	$ —
Other long-term liabilities:				
Derivative liabilities	14.2	—	14.2	—
Total liabilities	$41.7	$ 6.5	$ 35.2	$ —

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	Balance at Sep 27, 2015	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$1,530.1	$ 1,530.1	$ —	$ —
Short-term investments:				
Available-for-sale securities				
Corporate debt securities	10.2	—	10.2	—
Foreign government obligations	2.0	—	2.0	—
State and local government obligations	3.3	—	3.3	—
Total available-for-sale securities	15.5	—	15.5	—
Trading securities	65.8	65.8	—	—
Total short-term investments	81.3	65.8	15.5	—
Prepaid expenses and other current assets:				
Derivative assets	50.8	—	50.8	—
Long-term investments:				
Available-for-sale securities				
Agency obligations	8.6	—	8.6	—
Corporate debt securities	121.8	—	121.8	—
Auction rate securities	5.9	—	—	5.9
Foreign government obligations	18.5	—	18.5	—
U.S. government treasury securities	104.8	104.8	—	—
State and local government obligations	9.7	—	9.7	—
Mortgage and other asset-backed securities	43.2	—	43.2	—
Total long-term investments	312.5	104.8	201.8	5.9
Other long-term assets:				
Derivative assets	54.7	—	54.7	—
Total assets	$2,029.4	$ 1,700.7	$ 322.8	$ 5.9
Liabilities:				
Accrued liabilities:				
Derivative liabilities	$19.2	$ 3.6	$ 15.6	$ —
Other long-term liabilities:				
Derivative liabilities	14.5	—	14.5	—
Total	$33.7	$ 3.6	$ 30.1	$ —

There were no transfers between levels and there was no significant activity within Level 3 instruments during the periods presented. The fair values of any financial instruments presented above exclude the impact of netting assets and liabilities when a legally enforceable master netting agreement exists.

Gross unrealized holding gains and losses on investments were not material as of December 27, 2015 and September 27, 2015.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities recognized or disclosed at fair value on the consolidated financial statements on a nonrecurring basis include items such as property, plant and equipment, goodwill and other intangible assets, equity and cost method investments, and other assets. These assets are measured at fair value if determined to be impaired. During the quarters ended December 27, 2015 and December 28, 2014, there were no material fair value adjustments.

The estimated fair value of our long-term debt based on the quoted market price (Level 2) is included at Note 7, Debt.

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Note 5: Inventories (in millions)

	Dec 27, 2015	Sep 27, 2015	Dec 28, 2014
Coffee:			
Unroasted	$559.2	$529.4	$414.2
Roasted	256.6	279.7	227.2
Other merchandise held for sale	270.8	318.3	230.2
Packaging and other supplies	156.0	179.0	146.7
Total	$1,242.6	$1,306.4	$1,018.3

Other merchandise held for sale includes, among other items, serveware and tea. Inventory levels vary due to seasonality, commodity market supply and price fluctuations.

As of December 27, 2015, we had committed to purchasing green coffee totaling $701 million under fixed-price contracts and an estimated $353 million under price-to-be-fixed contracts. As of December 27, 2015, approximately $28 million of our price-to-be-fixed contracts were effectively fixed through the use of futures contracts.

Price-to-be-fixed contracts are purchase commitments whereby the quality, quantity, delivery period, and other negotiated terms are agreed upon, but the date, and therefore the price, at which the base “C” coffee commodity price component will be fixed has not yet been established. For most contracts, either Starbucks or the seller has the option to “fix” the base “C” coffee commodity price prior to the delivery date. For other contracts, Starbucks and the seller may agree upon pricing parameters determined by the base "C" coffee commodity price. Until prices are fixed, we estimate the total cost of these purchase commitments. We believe, based on relationships established with our suppliers in the past, the risk of non-delivery on these purchase commitments is remote.

Note 6: Supplemental Balance Sheet Information (in millions)

Property, Plant and Equipment, net

	Dec 27, 2015	Sep 27, 2015
Land	$46.6	$46.6
Buildings	415.1	411.5
Leasehold improvements	5,471.5	5,409.6
Store equipment	1,763.6	1,707.5
Roasting equipment	548.3	542.4
Furniture, fixtures and other	1,275.0	1,281.7
Work in progress	268.2	242.5
Property, plant and equipment, gross	9,788.3	9,641.8
Accumulated depreciation	(5,665.8)	(5,553.5)
Property, plant and equipment, net	$4,122.5	$4,088.3

Accrued Liabilities

	Dec 27, 2015	Sep 27, 2015
Accrued compensation and related costs	$461.9	$522.3
Accrued occupancy costs	145.0	137.2
Accrued taxes	236.0	259.0
Accrued dividends payable	297.1	297.0
Other	546.0	539.8
Total accrued liabilities	$1,686.0	$1,755.3

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Note 7: Debt

Components of long-term debt including the associated interest rates and related estimated fair values (in millions, except interest rates):

Issuance	Dec 27, 2015 Face Value	Estimated Fair Value	Sep 27, 2015 Face Value	Estimated Fair Value	Stated Interest Rate	Effective Interest Rate [1]
2016 notes	$400.0	$399	$400.0	$400	0.875 %	0.941 %
2018 notes	350.0	354	350.0	354	2.000 %	2.012 %
2022 notes	500.0	501	500.0	503	2.700 %	2.819 %
2023 notes	750.0	800	750.0	790	3.850 %	2.860 %
2045 notes	350.0	371	350.0	355	4.300 %	4.348 %
Total	2,350.0	2,425	2,350.0	2,402		
Aggregate unamortized discount	2.3		2.5			
Total	$2,347.7		$2,347.5			

(1) Includes the effects of the amortization of any premium or discount and any gain or loss upon settlement of related treasury locks or forward-starting interest rate swaps utilized to hedge the interest rate risk prior to the debt issuance.

The indentures under which the above notes were issued require us to maintain compliance with certain covenants, including limits on future liens and sale and leaseback transactions on certain material properties. As of December 27, 2015, we were in compliance with all applicable covenants.

The following table summarizes our long-term debt maturities as of December 27, 2015 (in millions):

Fiscal Year	Total
2016	$—
2017	400.0
2018	—
2019	350.0
2020	—
Thereafter	1,600.0
Total	$2,350.0

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Note 8: Equity

Changes in total equity (in millions):

	Quarter Ended					
	Dec 27, 2015			Dec 28, 2014		
	Attributable to Starbucks	Noncontrolling interest	Total Equity	Attributable to Starbucks	Noncontrolling interest	Total Equity
Beginning balance of total equity	$5,818.0	$ 1.8	$5,819.8	$5,272.0	$1.7	$5,273.7
Net earnings including noncontrolling interests	687.6	0.1	687.7	983.1	1.4	984.5
Translation adjustment, net of reclassifications and tax	(24.4)	—	(24.4)	(106.5)	(31.8)	(138.3)
Unrealized gains/(losses), net of reclassifications and tax	(1.3)	—	(1.3)	(15.8)	—	(15.8)
Other comprehensive income/(loss)	(25.7)	—	(25.7)	(122.3)	(31.8)	(154.1)
Stock-based compensation expense	57.9	—	57.9	52.5	—	52.5
Exercise of stock options/vesting of RSUs	7.8					