# Moody’s downgrades Starbucks outlook citing pressure from reinvention plan and rising leverage



On April 30, 2025, Moody’s Ratings revised the outlook for Starbucks Corporation (NASDAQ: SBUX) from stable to negative, while affirming all existing ratings for the company. This includes the Baa1 senior unsecured notes ratings and the Prime-2 commercial paper programme rating, as reported by News.Az citing Investing.

The shift in outlook reflects concerns over weakening profitability and credit metrics at Starbucks, driven primarily by sales deleveraging and increased investments in labour. These developments are linked to Starbucks’ ongoing "Back to Starbucks" reinvention plan, which is aimed at repositioning the company in a changing market environment. Despite a sequential improvement in comparable store sales, Starbucks has experienced a notable decline in profitability. Moody’s adjusted debt to EBITDA ratio has risen to about 3.2 times, up from approximately 2.9 times as of the fiscal year ending September 2024.

Starbucks’ reinvention strategy, which involves increased costs, is being implemented amid challenging consumer spending conditions. Moody’s notes that this could lead to further near-term deterioration in financial performance before the full benefits of the reinvention efforts are realised and performance recovers.

The Baa1 rating for Starbucks’ senior unsecured notes factors in the company’s strong global brand, dominant position in the United States specialty coffee market, extensive global presence, and significant scale of operations. Starbucks is recognised for its innovative product offerings, diverse daily operations, popular loyalty programme, and digital initiatives, which have historically contributed to consistent operating earnings.

Additionally, Moody’s highlights Starbucks’ solid liquidity position, which provides a cushion in managing the current challenging global operating environment and upcoming debt maturities. The ratings agency anticipates that Starbucks will maintain a conservative financial policy regarding capital allocation, despite forecasted earnings declines and increasing leverage over the next twelve months. As part of this approach, Starbucks is expected to keep share repurchases suspended through the remainder of fiscal 2025.

This development comes as Starbucks continues to navigate a competitive and evolving landscape in the coffee industry, balancing investments in new stores and labour with efforts to enhance profitability and maintain its market foothold.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.reuters.com/sustainability/starbucks-beef-up-store-staffing-go-slow-automation-rollout-2025-04-30/> - This article discusses Starbucks' strategic shift towards increasing store staffing and scaling back automation, aligning with the company's 'Back to Starbucks' reinvention plan aimed at enhancing customer experience.
2. <https://www.ft.com/content/fc867e34-ae2a-4f29-874d-4d47d2162869> - This piece reports on Starbucks' financial challenges, including a significant decline in net income and concerns over CEO Brian Niccol's turnaround strategy, highlighting the impact of the 'Back to Starbucks' plan on the company's performance.
3. <https://www.ft.com/content/a4386eeb-84a2-4011-9d5d-c441e69ddb3f> - This article details Starbucks' new policies to combat decreasing sales in North America, such as redefining customers and discontinuing free offerings, as part of the 'Back to Starbucks' initiative to attract more paying customers.
4. <https://www.huffingtonpost.es/economia/starbucks-asoma-puerta-infierno-ordena-retirada-13-bebidas-menu.html> - This report covers Starbucks' decision to eliminate 13 beverages from its menu as part of a 2025 adjustment plan, including layoffs and product reductions, in an effort to stabilize the company's economic situation without raising prices.
5. <https://www.reuters.com/business/retail-consumer/starbucks-posts-smaller-than-expected-comparable-sales-decline-turnaround-takes-2025-01-28/> - This article highlights Starbucks' smaller-than-expected decline in first-quarter comparable sales, indicating initial success in CEO Brian Niccol's efforts to revive the company through the 'Back to Starbucks' plan.
6. <https://apnews.com/article/161cbc1c2bbd9d0bf018cbdacbf89bc6> - This piece discusses Starbucks' goal to deliver customer orders within four minutes as part of CEO Brian Niccol's strategy to reinvigorate sagging sales, emphasizing the 'Back to Starbucks' plan's focus on improving service speed.
7. <https://news.google.com/rss/articles/CBMihwFBVV95cUxOYW1RZEctbG1qZDdnVTdva28xZERmbUxTR2lsVU10UUNKbG9UdDZGeEhoSy1RcV9xTXF2T1hMZ0UzQzhTaWlDMG12dnFDZ05yMTkwSmtNUy1tWVhrWWNISWlKdlVOWlh6dGQ3SGZwMEtQeXNxbVQtWVI1WnNucFhUS3d3WG9aT00?oc=5&hl=en-US&gl=US&ceid=US:en> - Please view link - unable to able to access data