Starbucks Shares Boosted By Expansion Plans

NEW YORK (AP) — Starbucks Corp. shares rose Thursday after the world's biggest coffee company announced a venti-sized expansion program that will add at least 1,500 new cafes in the U.S. over the next five years.

THE SPARK: Starbucks said Wednesday that it plans to boost the number of locations in its biggest market by about 13 percent by 2017. In the broader Americas region, the company plans to add 3,000 cafes by that time.

Starbucks also is planning to expand overseas, particularly in China, which is expected to surpass Canada as Starbucks' second-biggest market in the next two years. By that time, Starbucks says it will have 20,000 stores globally, up from about 18,000.

THE BIG PICTURE: The expansion plans mark a turnaround from Starbucks' struggles during the recession. After hitting a rough patch, the company brought back founder Howard Schultz as CEO in 2008 and embarked on a massive restructuring effort that included closing 10 percent of its U.S. stores.

THE ANALYSIS: Janney Capital Markets analyst Mark Kalinowski backed his "Buy" rating for the Seattle-based company, pointing to its encouraging sales trends.

"We remain enthusiastic about the company's plentiful growth opportunities — and about chances to enhance margins over the next two to three years, in part due to what we believe should be a lower average price per pound for coffee in fiscal 2013, again in fiscal 2014, and yet again in fiscal 2015," Kalinowski wrote in a note to investors.

Jefferies analyst Andy Barish also backed his "Buy" rating for the company, saying that he has increased confidence in its sales drivers and long-term growth model. He added that worries about global economic conditions have kept the stock price at an attractive level.

THE SHARES: Up $2.37, or 4.7 percent, to $53.16 in heavy midday trading, after peaking at $53.28. Over the past 52 weeks, the company's shares have traded between $42.67 and $62.

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