

MCDONALD'S CORP. NYSE-MCD

RECENT PRICE **96.41**

P/E RATIO **19.1** (Trailing: 18.9 Median: 16.0)

RELATIVE P/E RATIO **1.06**

DIV'D YLD **3.5%**

VALUE LINE

TIMELINESS 4 Lowered 9/19/14
SAFETY 1 New 7/27/90
TECHNICAL 4 Lowered 11/28/14
BETA .60 (1.00 = Market)

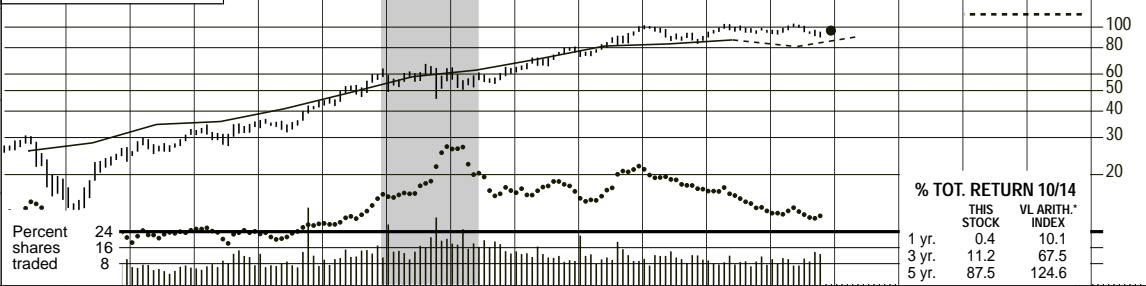
High: 27.0 33.0 35.7 44.7 63.7 67.0 64.8 80.9 101.0 102.2 103.7 103.8
 Low: 12.1 24.5 27.4 31.7 42.3 45.8 50.4 61.1 72.1 83.3 89.3 89.3

LEGENDS
 — 12.0 x "Cash Flow" p sh
 Relative Price Strength
 Options: Yes
 Shaded area indicates recession

2017-19 PROJECTIONS
 Price Gain Ann'l Total
 High 140 (+45%) 13%
 Low 115 (+20%) 8%

Insider Decisions
 J F M A M J J A S
 to Buy 0 0 0 0 0 0 0 0 0
 Options 1 1 0 5 0 2 0 0 2
 to Sell 1 3 0 6 1 2 0 0 2

Institutional Decisions
 4Q2013 1Q2014 2Q2014
 to Buy 703 633 595
 to Sell 654 700 699
 Hld's (000) 630338 630102 629969



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
9.16	9.82	10.92	11.61	12.15	13.58	15.01	16.20	17.93	19.55	21.09	21.12	22.85	26.44	27.49	28.38	28.75	30.25	Revenues per sh	40.00
1.95	2.15	2.29	2.23	2.16	2.36	2.88	2.98	3.43	4.06	4.85	5.22	5.92	6.77	6.93	7.24	6.75	7.55	"Cash Flow" per sh	10.35
1.26	1.39	1.46	1.36	1.32	1.43	1.93	1.97	2.30	2.91	3.67	3.98	4.60	5.27	5.36	5.55	4.95	5.65	Earnings per sh A	8.00
.18	.20	.22	.23	.24	.40	.55	.67	1.00	1.50	1.63	2.05	2.26	2.53	2.87	3.12	3.28	3.45	Div'ds Decl'd per sh B	4.50
1.39	1.38	1.49	1.49	1.58	1.04	1.12	1.27	1.45	1.67	1.92	1.81	2.03	2.67	3.04	2.85	3.10	3.15	Cap'l Spending per sh	3.45
6.98	7.14	7.05	7.41	8.11	9.50	11.18	11.99	12.84	13.11	12.00	13.03	13.89	14.09	15.25	16.16	14.00	12.70	Book Value per sh C	17.80
1356.2	1350.8	1304.9	1280.7	1268.2	1261.9	1269.9	1263.2	1203.7	1165.3	1115.3	1076.7	1053.6	1021.4	1002.7	990.40	965.0	945.0	Common Shs Outst'g D	900.0
24.7	30.4	22.9	20.9	18.3	14.1	14.4	16.2	16.0	17.6	15.8	14.4	15.4	15.9	17.3	17.5	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	16.0
1.28	1.73	1.49	1.07	1.00	.80	.76	.86	.86	.93	.95	.96	.98	1.00	1.10	.99			Relative P/E Ratio	1.00
.6%	.5%	.7%	.8%	1.0%	2.0%	2.0%	2.1%	2.7%	2.9%	2.8%	3.6%	3.2%	3.0%	3.1%	3.2%			Avg Ann'l Div'd Yield	3.5%

CAPITAL STRUCTURE as of 9/30/14
 Total Debt \$15130.2 mill. Due in 5 Yrs \$5350 mill.
 LT Debt \$14516.9 mill. LT Interest \$625 mill.
 (LT interest earned: 17.4x; total interest coverage: 16.7x) (52% of Cap'l)
 Leases, Uncapitalized Annual rentals \$1362 mill.

No Defined Benefit Pension Plan
 Pfd Stock None

Common Stock 973,203,623 shs.

MARKET CAP: \$93.8 billion (Large Cap)

CURRENT POSITION 2012 2013 9/30/14

(\$MILL.)	2012	2013	9/30/14
Cash Assets	2336.1	2798.7	3233.3
Receivables	1375.3	1319.8	1226.7
Inventory (FIFO)	121.7	123.7	105.0
Other	1089.0	807.9	645.4
Current Assets	4922.1	5050.1	5210.4
Accts Payable	1141.9	1086.0	847.3
Debt Due	--	--	613.3
Other	2261.2	2084.0	2719.0
Current Liab.	3403.1	3170.0	4179.6

ANNUAL RATES	Past 10 Yrs	Past 5 Yrs	Est'd '11-'13 to '17-'19
Revenues	8.0%	7.0%	6.5%
"Cash Flow"	12.0%	11.0%	7.0%
Earnings	14.5%	12.5%	7.0%
Dividends	25.5%	15.5%	8.0%
Book Value	6.0%	3.5%	2.5%

Cal- endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	6112	6905	7166	6823	27006
2012	6546	6915	7152	6952	27567
2013	6605	7084	7324	7093	28106
2014	6700	7182	6987	6881	27750
2015	6750	7285	7315	7250	28600

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	1.15	1.35	1.45	1.32	5.27
2012	1.23	1.32	1.43	1.38	5.36
2013	1.26	1.38	1.52	1.40	5.55
2014	1.21	1.40	1.09	1.25	4.95
2015	1.25	1.45	1.50	1.45	5.65

2013	1.25	1.45	1.50	1.45	5.65
Cal- endar	QUARTERLY DIVIDENDS PAID ■				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2010	.55	.55	.55	.61	2.26
2011	.61	.61	.61	.70	2.53
2012	.70	.70	.70	.77	2.87
2013	.77	.77	.77	.81	3.12
2014	.81	.81	.81	.85	

BUSINESS: McDonald's Corporation operated, franchised, or licensed 35,864 fast-food restaurants in the United States, Canada, and overseas, under the McDonald's banner (as of 9/30/14). About 81% are operated by franchisees or affiliates, with the remainder under the control of the company. Foreign operations contributed 69% of systemwide sales and 57% of consolidated operating income in 2013. The company sold a stake in Pret A Manger in 2008. Spun off Chipotle Mexican Grill in 2006 and Boston Market in 2007. Has about 440,000 employees. Officers/directors own less than 1% of common stock (4/14 Proxy). CEO: Don Thompson. Incorporated: DE. Addr.: One McDonald's Plaza, Oak Brook, Illinois 60523. Telephone: 630-623-3000. Internet: www.mcdonalds.com.

McDonald's third-quarter results were disappointing. The top line fell 5% from a year earlier and was shy of our \$7.27 billion call. Guest traffic was down in all major markets, including declines of 1.4% and 3.3% in Europe and the United States, respectively. But the region comprised of Asia/Pacific, the Middle East, and Africa (APMEA) was by far the worst performer, as concerns about food quality weighed heavily on results. One of the company's suppliers in China was accused of selling expired meat. While the company stopped getting shipments from the plant in question, consumers were already spooked. Too, items like *Chicken McNuggets* and *Big Macs* were in short supply as management scrambled to find alternate sourcing. This sapped about \$0.15 a share from the bottom line, while an increase in tax reserves related to a number of foreign tax matters pulled away another \$0.26. All told, share net of \$1.09 was well below both our call and the year-earlier figure. **Management is working hard to return to growth mode, but this is no easy task.** The sales decline in APMEA appeared to bottom out in August, but

restoring trust in the brand will likely take time. To that end, management is trying to be more transparent, with new marketing initiatives aimed at answering questions and rebuilding brand equity. Remodels to improve the look, feel, and convenience of restaurants are also under way, as is building a more robust online presence and enhanced digital strategy. Creating a flatter, more nimble structure where individual locations can cater to local tastes is also in the works. **McDonald's should be able to find its stride again, but the timing is more uncertain.** Indeed, comparable-store sales were down 0.5% in the month of October, and we have cut \$0.55 from our full-year 2014 share-earnings forecast. Likewise, our 2015 estimates moves from \$6.00 to \$5.65. While the above-average dividend yield ought to keep conservative, long-term investors from grumbling too much, we feel that new commitments can be deferred until more clarity emerges regarding management's turnaround initiatives. Indeed, MCD stock is currently ranked 4 (Below Average) for Timeliness. *Matthew Spencer, CFA November 28, 2014*