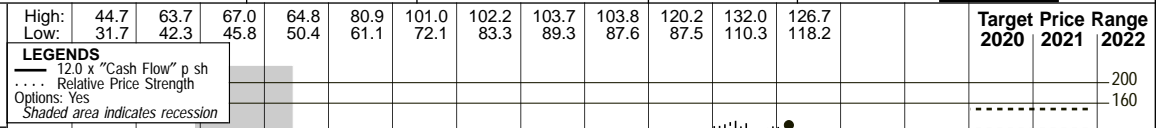


MCDONALD'S CORP. NYSE-MCD

RECENT PRICE **125.81** P/E RATIO **20.9** (Trailing: 21.9; Median: 17.0) RELATIVE P/E RATIO **1.06** DIV'D YLD **3.0%** VALUE LINE

TIMELINESS **3** Lowered 11/18/16
 SAFETY **1** New 7/27/90
 TECHNICAL **4** Lowered 2/24/17
 BETA .75 (1.00 = Market)



2020-22 PROJECTIONS

Price	150	Gain	+20%
Low	120	Return	8%

Insider Decisions

	A	M	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0
Options	1	1	0	0	3	1	0	2
to Sell	1	1	0	0	1	0	1	1

Institutional Decisions

	1Q2016	2Q2016	3Q2016
to Buy	643	617	626
to Sell	810	808	750
Hlds(000)	647151	593597	555813

LEGENDS

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

Percent shares traded

24	16	8
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% TOT. RETURN 1/17

	THIS STOCK	VLARITH: INDEX
1 yr.	2.1	31.2
3 yr.	43.6	25.8
5 yr.	45.5	84.9

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
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	28.50	28.03	29.85	29.20	26.85	Revenues per sh	34.05
2.23	2.16	2.36	2.88	3.43	4.06	4.85	5.22	5.92	6.77	6.93	7.24	6.65	6.89	7.80	8.45	8.25	8.45	"Cash Flow" per sh	10.15
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	4.82	4.97	5.71	6.15	6.45	Earnings per sh ^A	8.00
.23	.24	.40	.55	.67	1.00	1.50	1.63	2.05	2.26	2.53	2.87	3.12	3.28	3.44	3.61	3.80	4.00	Div'ds Decl'd per sh ^B	5.00
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	2.68	2.00	1.95	1.90	1.85	Cap'l Spending per sh	2.00
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	13.35	7.82	d2.40	1.30	4.05	Book Value per sh ^C	7.40
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	962.90	906.80	825.0	775.0	745.0	Common Shs Outst'g ^D	675.0
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	20.0	20.2	21.1	20.0	21.1	Avg Ann'l P/E Ratio	17.0
1.07	1.00	.80	.76	.86	.86	.93	.95	.96	.98	1.00	1.10	.98	1.05	1.02	1.11	1.05	1.11	Relative P/E Ratio	1.00
.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%	3.4%	3.4%	3.0%	3.0%	3.0%	Avg Ann'l Div'd Yield	3.7%

CAPITAL STRUCTURE as of 9/30/16
 Total Debt \$26007.0 mill. Due in 5 Yrs \$9129 mill.
 LT Debt \$26007.0 mill. LT Interest \$1115 mill.
 (LT interest earned: 11.6x; total interest coverage: 11.4x) (107% of Cap'l)
 Leases, Uncapitalized Annual rentals \$1350 mill.

No Defined Benefit Pension Plan
 Pfd Stock None

Common Stock 830,443,627 shs.

MARKET CAP: \$104 billion (Large Cap)

CURRENT POSITION 2014 2015 9/30/16 (\$MILL.)

Cash Assets	2077.9	7685.5	2266.7
Receivables	1214.4	1298.7	1349.8
Inventory (FIFO)	110.0	100.1	90.5
Other	783.2	558.7	595.1
Current Assets	4185.5	9643.0	4302.1
Accts Payable	860.1	874.7	852.2
Debt Due	--	--	--
Other	1887.8	2075.7	3624.5
Current Liab.	2747.9	2950.4	4476.7

22787	23522	22745	24075	27006	27567	28106	27441	25413	24622	22625	20000	Revenues (\$mill)	23000
22.3%	32.5%	34.2%	35.6%	35.9%	35.7%	35.9%	35.0%	35.1%	36.2%	36.5%	36.7%	Operating Margin	36.7%
1214.1	1207.8	1216.2	1276.2	1415.0	1488.5	1585.1	1644.5	1555.7	1500	1375	1225	Depreciation (\$mill)	1450
3522.6	4201.1	4405.5	4961.9	5503.1	5464.8	5585.9	4757.8	4693.3	4920	5010	5065	Net Profit (\$mill)	5400
1.4%	31.8%	30.4%	29.3%	31.3%	32.4%	31.9%	35.5%	30.5%	32.0%	32.0%	32.0%	Income Tax Rate	32.0%
15.5%	17.9%	19.4%	20.6%	20.4%	19.8%	19.9%	17.3%	18.5%	20.0%	22.1%	25.3%	Net Profit Margin	23.5%
d916.6	979.7	427.6	1443.8	893.8	1519.0	1880.1	1437.6	6692.6	500	500	1000	Working Cap'l (\$mill)	1300
7310.0	10186	10560	11497	12134	13633	14130	14990	24122	26000	26000	26000	Long-Term Debt (\$mill)	26000
15280	13383	14034	14634	14390	15294	16010	12853	7087.9	d2000	1000	3000	Shr. Equity (\$mill)	5000
16.4%	18.8%	18.8%	19.8%	21.6%	19.8%	19.4%	18.1%	16.1%	20.0%	20.5%	19.0%	Return on Total Cap'l	18.5%
23.1%	31.4%	31.4%	33.9%	38.2%	35.7%	34.9%	37.0%	66.2%	NMF	NMF	NMF	Return on Shr. Equity	NMF
11.5%	17.8%	15.5%	17.5%	20.1%	16.8%	15.4%	12.0%	20.6%	NMF	NMF	64.0%	Retained to Com Eq	40.5%
50%	43%	51%	49%	47%	53%	56%	68%	69%	63%	62%	62%	All Div'ds to Net Prof	63%

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '13-'15 to '20-'22

Revenues	6.5%	5.5%	2.5%
"Cash Flow"	9.5%	5.5%	5.5%
Earnings	11.0%	4.5%	6.5%
Dividends	20.0%	10.5%	6.0%
Book Value	1.5%	-1.0%	-7.0%

QUARTERLY REVENUES (\$ mill.)^E

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2014	6700	7181	6987	6572	27441
2015	5958	6497	6615	6341	25413
2016	5904	6265	6424	6029	24622
2017	5575	5800	5750	5500	22625
2018	4750	5100	5225	4925	20000

EARNINGS PER SHARE^{AE}

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2014	1.21	1.40	1.09	1.12	4.82
2015	1.01	1.26	1.40	1.30	4.97
2016	1.23	1.45	1.62	1.43	5.71
2017	1.33	1.55	1.70	1.57	6.15
2018	1.38	1.63	1.79	1.65	6.45

QUARTERLY DIVIDENDS PAID^B

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	.77	.77	.77	.81	3.12
2014	.81	.81	.81	.85	3.28
2015	.85	.85	.85	.89	3.44
2016	.89	.89	.89	.94	3.61

McDonald's reported better-than-expected fourth-quarter results. Adjusted share earnings of \$1.43 were \$0.03 above our estimate and up 10% year over year. Revenues came in at \$6.029 billion, or 5% lower than the year-earlier tally. However, the top-line decline, in our view, was not overly concerning, since the drop mostly stemmed from the impact of refranchisings and unfavorable currency translations (our call was \$6.037 billion). In addition, more closely followed figures on comparable-store sales were upbeat. Specifically, global same-store sales rose 3.8% in the fourth quarter, marking the sixth-consecutive quarter of positive comps. Foundational markets were the star of the show, posting an 11.1% comp gain thanks to recovery in Japan and strength in parts of Latin America. The metric rose 4.7% in the High Growth segment, driven by China. The International Lead segment notched a 2.8% advance, led by the United Kingdom. On the other hand, sales in the United States declined 1.3%, reflecting a tough year-over-year comparison due to the highly successful 2015 rollout of *All-Day Breakfast*.

We think that the operating environment at home will remain challenging in 2017. This view is based on stiff competition and commodity cost deflation, which has made eating at home more affordable. That said, management's efforts to cut costs, refranchise, offer a better customer experience, and improve its digital strategy while not straying from the three pillars of value, convenience, and taste, should keep earnings on an upswing. Indeed, our 2017 share-earnings estimate is unchanged at \$6.15, though more detail on the year will probably be provided at the company's analyst day in March.

McDonald's stock did not gain much ground in 2016, and we look for these neutrally ranked shares to remain range bound in the near term. Tough comps will likely keep domestic same-store sales negative in the first quarter, and we don't see a major catalyst to push the shares higher. That said, very conservative investors may well be content with the equity's above-average dividend yield, low Beta, and top marks for Safety and Price Stability.

Matthew Spencer, CFA February 24, 2017

(A) Based on diluted shares. Excl. nonrecur. gain/(loss): '01, (11¢); '02, (55¢); '03, (25¢); '04, (6¢); '05, 3¢; '06, 53¢; '07, (93¢); '08, 9¢; '09, 13¢; '10, (2¢); '15, (17¢); '16, (27¢). Excl. cum. effect of acting change: '02, (7¢); '03, (3¢); '04, (8¢). Incl. tax benefit: '04, 7¢. Excl. tax benefit '05, 4¢. Next eps. report due 4/22/17. (B) As of 3/08 div'ds paid mid-Mar., Jun., Sep., Dec. ■ Div'd. reinvestment plan available. (C) Incl. intang. At 12/31/15: \$2,516.3 mill., \$2.77/share. (D) In mill., adj. for splits. (E) May not sum due to rounding.

Company's Financial Strength A++
 Stock's Price Stability 100
 Price Growth Persistence 50
 Earnings Predictability 90

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