

MCDONALD'S CORP. NYSE-MCD

RECENT PRICE **168.11** P/E RATIO **25.1** (Trailing: 26.4 Median: 17.0) RELATIVE P/E RATIO **1.28** DIV'D YLD **2.4%** VALUE LINE

TIMELINESS 1 Raised 10/27/17	High: 44.7	63.7	67.0	64.8	80.9	101.0	102.2	103.7	103.8	120.2	132.0	170.9	Target Price Range		
SAFETY 1 New 7/27/90	Low: 31.7	42.3	45.8	50.4	61.1	72.1	83.3	89.3	87.6	87.5	110.3	118.2	2020	2021	2022
TECHNICAL 4 Lowered 11/17/17	LEGENDS												200		
BETA .80 (1.00 = Market)	14.5 x "Cash Flow" p sh												160		
	Relative Price Strength												100		
	Options: Yes												80		
	Shaded area indicates recession												60		
													40		
													30		
													20		

2020-22 PROJECTIONS														Percent shares traded	24 16 8	© VALUE LINE PUB. LLC	20-22		
Price	Gain	Ann'l Total																	
High	Low	195	(+15%)	6%															
Options to Buy	Options to Sell	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	% TOT. RETURN 10/17	THIS STOCK INDEX	
Options to Buy	Options to Sell	0	1	1	1	0	0	4	2	0	0	0	0	0	0	1 yr.			52.4
Options to Buy	Options to Sell	0	0	1	1	0	0	4	2	0	0	0	0	0	0	3 yr.			95.3
Institutional Decisions														5 yr.	125.3	21.4	27.5	92.9	
4Q2016																			
to Buy	to Sell	689	642	639															
Hlds(000)		55965	608286	609767															

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Revenues per sh	31.80
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	30.05	29.30	27.10	"Cash Flow" per sh	10.95
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	7.86	8.60	9.00	7.00	Earnings per sh A	9.00
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	6.52	7.00	Div'ds Decl'd per sh B	5.20
.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	3.83	4.10	Cap'l Spending per sh	2.65
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	2.22	2.20	2.20	Book Value per sh C	d3.05
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	13.35	7.82	d2.69	d3.60	d3.35	Common Shs Outst'g D	660.0
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	819.30	775.0	745.0	Avg Ann'l P/E Ratio	19.5
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	Relative P/E Ratio	1.20
1.07	1.00	.80	.76	.86	.86	.93	.95	.96	.98	1.00	1.10	.98	1.05	1.02	1.11	1.11	1.11	Avg Ann'l Div'd Yield	2.9%
.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%		

CAPITAL STRUCTURE as of 9/30/17														2020	20200	Revenues (\$mill)	21000										
Total Debt \$28618.4 mill. Due in 5 Yrs \$9717 mill.														22.3%	32.5%	34.2%	35.6%	35.9%	35.7%	35.9%	35.0%	35.1%	39.0%	43.8%	47.0%	Operating Margin	50.5%
LT Debt \$28402.6 mill. LT Interest \$1210 mill.														1214.1	1207.8	1216.2	1276.2	1415.0	1488.5	1585.1	1644.5	1555.7	1516.5	1340	1215	Depreciation (\$mill)	1275
(LT interest earned: 9.1x; total interest coverage: 9.1x) (114% of Cap'l)														3522.6	4201.1	4405.5	4961.9	5503.1	5464.8	5585.9	4757.8	4693.3	4920.2	5315	5495	Net Profit (\$mill)	5940
Leases, Uncapitalized Annual rentals \$1303 mill.														1.4%	31.8%	30.4%	29.3%	31.3%	32.4%	31.9%	35.5%	30.5%	32.0%	32.0%	31.7%	Income Tax Rate	32.0%
No Defined Benefit Pension Plan														15.5%	17.9%	19.4%	20.6%	20.4%	19.8%	19.9%	17.3%	18.5%	20.0%	23.4%	27.2%	Net Profit Margin	28.3%
Pfd Stock None														d916.6	979.7	427.6	1443.8	893.8	1519.0	1880.1	1437.6	6692.6	1380.3	1500	1500	Working Cap'l (\$mill)	1000
Common Stock 797,185,588 shs.														7310.0	10186	10560	11497	12134	13633	14130	14990	24122	25879	28000	28000	Long-Term Debt (\$mill)	28000
MARKET CAP: \$134 billion (Large Cap)														15280	13383	14034	14634	14390	15294	16010	12853	7087.9	d2204	d2800	d2500	Shr. Equity (\$mill)	d2000
CURRENT POSITION														16.4%	18.8%	18.8%	19.8%	21.6%	19.8%	19.4%	18.1%	16.1%	22.7%	23.0%	23.5%	Return on Total Cap'l	24.5%
2015														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
2016														11.5%	17.8%	15.5%	17.5%	20.1%	16.8%	15.4%	12.0%	20.6%	NMF	NMF	NMF	Retained to Com Eq	NMF
2017														50%	43%	51%	49%	47%	53%	56%	68%	69%	69%	59%	59%	All Div'ds to Net Prof	58%

Cash Assets	7685.5	1223.4	2671.2
Receivables	1298.7	1474.1	1569.0
Inventory (FIFO)	100.1	58.9	54.2
Other	558.7	2092.2	495.9
Current Assets	9643.0	4848.6	4790.3
Accts Payable	874.7	756.0	685.2
Debt Due	--	77.2	215.8
Other	2075.7	2635.1	2839.2
Current Liab.	2950.4	3468.3	3740.2

ANNUAL RATES	Past 10 Yrs	Past 5 Yrs	Est'd '14-'16 to '20-'22
change (per sh)	6.5%	5.5%	1.5%
Revenues	9.5%	5.5%	7.5%
"Cash Flow"	11.0%	4.5%	9.5%
Earnings	20.0%	10.5%	7.0%
Dividends	1.5%	-1.0%	NMF
Book Value			

Cal-endar	QUARTERLY REVENUES (\$ mill.) E				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	6700	7181	6987	6572	27441
2015	5958	6497	6615	6341	25413
2016	5904	6265	6424	6029	24622
2017	5676	6050	5755	5219	22700
2018	4825	5175	5250	4950	20200

Cal-endar	EARNINGS PER SHARE AE				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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	1.47	1.70	1.76	1.59	6.52
2018	1.55	1.80	1.88	1.77	7.00

Cal-endar	QUARTERLY DIVIDENDS PAID B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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
2017	.94	.94	.94	1.01	

McDonald's recently released third-quarter results. The financials were decent, to be sure, but with the stock recently trading at an all-time high and the figures lacking the upside surprise that the company delivered in the previous quarter, the issue's gains were modest. As expected, third-quarter revenues fell from a year earlier due to management's strategic refranchising initiatives (see below). The top line was down 10% on a year-over-year basis, to \$5.755 billion, slightly ahead of our \$5.724 billion forecast. Global comparable-store sales rose 6.0% and reflected positive guest counts in all segments. The U.S. market delivered the most modest comp increase, at 4.1%. However, this was still a better-than-expected showing and came in the face of hurricane-related headwinds. The gain was driven by *McPick 2* and national beverage promotions. Continued demand for *Signature Crafted* premium sandwiches also helped. Same-store sales were up 5.7% in the International Lead segment; 6.2% in the High Growth segment; and 10.2% in Foundational markets. The strong comp performance enabled expense leverage and

improvements in franchised margin dollars. Combined with a lower share count, adjusted earnings rose 9% from a year earlier but were a penny below our estimate. **McDonald's recently completed the refranchising of its businesses in China and Hong Kong.** This latest deal enabled leadership to reach its goal of refranchising 4,000 restaurants a year ahead of schedule. The shift should provide for more stable revenues and higher returns on invested capital. **We expect the company to keep delivering solid results.** However, margins may be uneven in the near term due to investments in technology and labor to support mobile order/pay, fresh beef, delivery, curbside pickup, etc. Promotions should continue to drive traffic, as well. **This timely stock is not cheap, but it is high quality, and we think it can push higher still.** Stock buybacks and dividend payments (the quarterly distribution was recently increased 7%, to \$1.01 a share) enhance its total return potential. All told, MCD stock is worthy of consideration by a variety of investors, in our view. *Matthew Spencer, CFA November 24, 2017*

(A) Based on diluted shares. Excl. nonrecur. gain/(loss): '02, (55¢); '03, (25¢); '04, (6¢); '05, 3¢; '06, 53¢; '07, (93¢); '08, 9¢; '09, 13¢; '10, (2¢); '15, (17¢); '16, (27¢); '17, 56¢. 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 1/30/18. (B) As of 3/08 div'ds paid mid-Mar., Jun., Sep., Dec. Div'd. reinvestment plan available. (C) Incl. intang. At 12/31/16: \$2,336.5 mill., \$2.85/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	55
Earnings Predictability	85

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