

**TIMELINESS** 1 Raised 10/27/17

**SAFETY** 1 New 7/27/90

**TECHNICAL** 4 Lowered 11/17/17

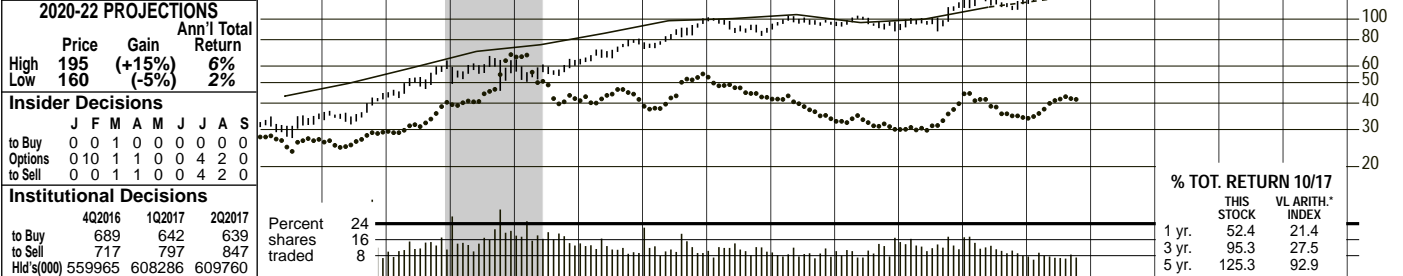
**BETA** .80 (1.00 = Market)

**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

**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

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

**Target Price Range**  
 2020 2021 2022



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	30.05	29.30	27.10	Revenues per sh	31.80
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	6.89	7.86	8.60	9.00	"Cash Flow" per sh	10.95
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	Earnings per sh <sup>A</sup>	9.00
.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	3.83	4.10	Div'ds Decl'd per sh <sup>B</sup>	5.20
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	Cap'l Spending per sh	2.65
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	Book Value per sh <sup>C</sup>	d3.05
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	Common Shs Outst'g <sup>D</sup>	660.0
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	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	19.5
1.07	1.00	.80	.76	.86	.86	.93	.95	.96	.98	1.00	1.10	.98	1.05	1.02	1.11			Relative P/E Ratio	1.20
.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%			Avg Ann'l Div'd Yield	2.9%

**CAPITAL STRUCTURE as of 9/30/17**  
 Total Debt \$28618.4 mill. Due in 5 Yrs \$9717 mill.  
 LT Debt \$28402.6 mill. LT Interest \$1210 mill.  
 (LT interest earned: 9.1x; total interest coverage: 9.1x) (114% of Cap'l)  
 Leases, Uncapitalized Annual rentals \$1303 mill.

**No Defined Benefit Pension Plan**  
 Pfd Stock None

**Common Stock** 797,185,588 shs.

**MARKET CAP: \$134 billion (Large Cap)**

22787	23522	22745	24075	27006	27567	28106	27441	25413	24622	22700	20200	Revenues (\$mill)	21000
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%
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
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
1.4%	31.8%	30.4%	29.3%	31.3%	32.4%	31.9%	35.5%	30.5%	31.7%	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%	23.4%	27.2%	Net Profit Margin	28.3%
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
7310.0	10186	10560	11497	12134	13633	14130	14990	24122	25879	28000	28000	Long-Term Debt (\$mill)	28000
15280	13383	14034	14634	14390	15294	16010	12853	7087.9	d2204	d2800	d2500	Shr. Equity (\$mill)	d2000
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%
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	NMF	Retained to Com Eq	NMF
50%	43%	51%	49%	47%	53%	56%	68%	69%	69%	59%	59%	All Div'ds to Net Prof	58%

**BUSINESS:** McDonald's Corporation operated, franchised, or licensed 36,976 fast-food restaurants in the United States, Canada, and overseas under the McDonald's banner (as of 9/30/17). About 91% are operated by franchisees or affiliates, with the remainder under the control of the company. Foreign operations contributed 66% of systemwide sales and 51% of consolidated operating income in 2016. 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 375,000 employees. Officers/directors own less than 1% of common stock (4/17 Proxy). CEO: Steve Easterbrook, Inc.: DE. Address: One McDonald's Plaza, Oak Brook, Illinois 60523. Telephone: 630-623-3000. Internet: www.mcdonalds.com.

**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*

Cal-endar	QUARTERLY REVENUES (\$ mill.) <sup>E</sup>				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 <sup>AE</sup>				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 <sup>B</sup>				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	

(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 exs. 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.