

and overseas under the McDonald's banner (as of 3/31/18). About 92% are operated by franchisees or affiliates, with the remainder under the control of the company. Foreign operations contributed 65% of systemwide sales and 58% of consolidated operating in-

Has about 235,000 employees. Officers/directors own less than 1% of common stock (4/18 Proxy). CEO: Steve Easterbrook. Inc.: DE. Address: One McDonald's Plaza, Oak Brook, Illinois 60523. Telephone: 630-623-3000. Internet: www.mcdonalds.com.

2041.5 2821.4 Current Liab. **ANNUAL RATES** Past Est'd '15-'17 Past 10 Yrs. 5.0% 8.5% 9.0% 5 Yrs. 2.5% 3.5% 2.5% to '21-'23 2.5% 8.0% 10.0% 7.0% NMF of change (per sh) Revenues "Cash Flow" Earnings Dividends Book Value 7.5%

4848.6

756.0

3468.3

5327.2

924.8

1965.8

2890.6

4909.3

779.9

Current Assets

Accts Payable Debt Due

Cal- endar	QUART Mar.31	ERLY REV Jun.30	/ENUES (\$ Sep.30	mill.) ^E Dec.31	Full Year
2015	5958	6497	6615	6341	25413
2016	5904	6265	6424	6029	24622
2017	5676	6050	5755	5340	22820
2018	5139	5350	5450	5311	21250
2019	5000	5300	5500	5300	21100
Cal-	EARNINGS PER SHARE AE				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
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	1.71	6.66
2018	1.72	1.98	2.05	1.95	7.70
2019	1.85	2.05	2.20	2.10	8.20
Cal-	QUARTERLY DIVIDENDS PAID B =				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
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	3.83
2018	1.01				

McDonald's started 2018 on the right foot. Indeed, the iconic restaurant operator delivered better-than-expected results on both the top and bottom lines in the first quarter. Consolidated revenues were down 9%, year over year, to \$5.139 billion, but this was due to management's strategic refranchising initiatives. Plus, the decline was not as severe as the 13% drop we had been expecting. Systemwide sales were up 7% on a constant-currency basis, and global comparable-store sales increased 5.5% on an uptick in the global Foundational count. remained the best performer, notching a 8.7% increase in same-store sales. The International Lead segment was not too far off the pace, though, as strength in the United Kingdom and Germany led the way. The High Growth segment posted a 4.7% advance, as strong showings in China and Italy offset weakness in South Korea. As for the United States, comp sales improved 2.9%, benefiting from higher average checks, the result of menu price increases and product mix shifts. Adding it all up, earnings per share rose 17% from a year earlier, to \$1.72, \$0.02 ahead of our forecast.

The good times seem apt to continue. Menu innovation, an ongoing focus on value, accelerated store remodels, expanded delivery services, and mobile pay/order should continue to resonate with customers around the globe. Leadership has also been doing a good job of keeping costs in check, in our view. A lower tax rate should be another plus. Combining this with the outperformance in the first quarter, we now look for full-year 2018 earnings of \$7.70, up \$0.10 from our previous call. Likewise, our 2019 estimate moves \$0.20 higher, to \$8.20.

Conservative investors with a chant for income may want to take a closer look at McDonald's stock. At the recent quotation, the equity is not inexpensive, but you do get a lot for that premium, including expectations steady earnings growth over the next several years. More importantly, for some, are the issue's stellar marks for Safety and Price Stability, as well as its below-market Beta. Too, its dividend yield is above the Value Line median.

Matthew E. Spencer, CFA May 25, 2018

(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, (2ϕ) ; '15, (17ϕ) ; '16, (27ϕ) ; '17, (29ϕ) ; '18, (7ϕ) . Excl. cum. effect of accting change: '02, (7¢); '03, (3¢); '04, (8¢). Incl. tax benefit: '04, 7¢. Excl. tax benefit '05, 4¢. Next egs. report due

Dec. ■ Div'd. reinvestment plan available. (C) Incl. intang. At 12/31/17: \$2,379.7 mill., \$3.00/share. (D) In mill., adj. for splits. late July. (B) Div'ds paid mid-Mar., Jun., Sep., (E) May not sum due to rounding.

Company's Financial Strength Stock's Price Stability A++ 100 Price Growth Persistence **Earnings Predictability** 85