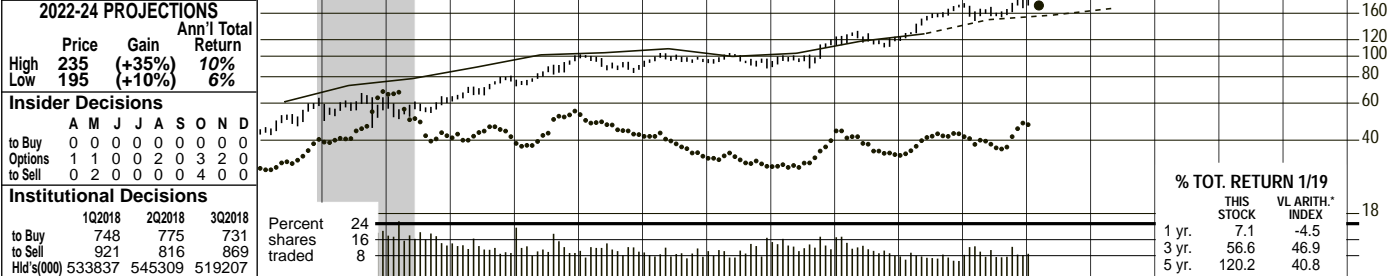


# MCDONALD'S CORP. NYSE-MCD

RECENT PRICE **173.97** P/E RATIO **21.6** (Trailing: 22.2; Median: 18.0) RELATIVE P/E RATIO **1.28** DIV'D YLD **2.7%** VALUE LINE **365**

TIMELINESS <b>3</b> Lowered 5/4/18	High: 67.0	64.8	80.9	101.0	102.2	103.7	103.8	120.2	132.0	175.8	190.9	189.4								Target Price Range	2022	2023	2024	
SAFETY <b>1</b> New 7/27/90	Low: 45.8	50.4	61.1	72.1	83.3	89.3	87.6	87.5	110.3	118.2	146.8	173.8												
TECHNICAL <b>1</b> Raised 2/22/19	LEGENDS 15.0 x "Cash Flow" p sh Relative Price Strength Options: Yes Shaded area indicates recession																							
BETA .80 (1.00 = Market)																								



<b>2022-24 PROJECTIONS</b>																		© VALUE LINE PUB. LLC		22-24	
Price	Gain	Ann'l Total																Revenues per sh	35.70		
High	235	(+35%)	10%																"Cash Flow" per sh	13.10	
Low	195	(+10%)	6%																Earnings per sh A	11.00	
<b>Insider Decisions</b>																		Common Shs Outst'g D		650.00	
A M J J A S O N D																		Avg Ann'l P/E Ratio		19.5	
to Buy 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0																		Relative P/E Ratio		1.10	
Options 1 1 0 0 0 2 0 3 2 0																		Avg Ann'l Div'd Yield		2.9%	
to Sell 0 2 0 0 0 0 0 4 0 0																					
<b>Institutional Decisions</b>																					
1Q2018 2Q2018 3Q2018																					
to Buy 748 775 731																					
to Sell 921 816 869																					
Hlds(000) 533837 545309 519207																					
Percent shares traded																					
24 16 8																					

<b>CAPITAL STRUCTURE as of 9/30/18</b>	22745	24075	27006	27567	28106	27441	25413	24622	22820	21025	20925	21250	Revenues (\$mill)	23200
Total Debt \$31895.2 mill Due in 5 Yrs \$10606 mill	34.2%	35.6%	35.9%	35.7%	35.9%	35.0%	35.1%	39.0%	42.7%	48.5%	49.5%	50.5%	Operating Margin	51.0%
LT Debt \$31895.2 mill LT Interest \$1305 mill	1216.2	1276.2	1415.0	1488.5	1585.1	1644.5	1555.7	1516.5	1363.4	1400	1500	16000	Depreciation (\$mill)	1350
(LT interest earned: 9.5x; total interest coverage: 9.5x)	4405.5	4961.9	5503.1	5464.8	5585.9	4757.8	4693.3	4920.2	5415.0	6205.3	6230	6470	Net Profit (\$mill)	7150
Leases, Uncapitalized Annual rentals \$1152 mill.	30.4%	29.3%	31.3%	32.4%	31.9%	35.5%	30.5%	31.7%	31.2%	25.0%	26.0%	23.0%	Income Tax Rate	26.0%
No Defined Benefit Pension Plan	19.4%	20.6%	20.4%	19.8%	19.9%	17.3%	18.5%	20.0%	23.7%	29.5%	29.8%	30.4%	Net Profit Margin	30.8%
Pfd Stock None	427.6	1443.8	893.8	1519.0	1880.1	1437.6	6692.6	1380.3	2436.6	1079.7	1100	1200	Working Cap'l (\$mill)	1500
Common Stock 770,910,250 shs.	10560	11497	12134	13633	14130	14990	24122	25879	29536	31075	34000	36000	Long-Term Debt (\$mill)	40000
MARKET CAP: \$134 billion (Large Cap)	14034	14634	14390	15294	16010	12853	7087.9	d2204	d3268	d6258	d7500	d8000	Shr. Equity (\$mill)	d10000
CURRENT POSITION	18.8%	19.8%	21.6%	19.8%	19.4%	18.1%	16.1%	22.7%	22.4%	27.0%	25.5%	25.0%	Return on Total Cap'l	25.5%
2016	31.4%	33.9%	38.2%	35.7%	34.9%	37.0%	66.2%	--	NMF	NMF	NMF	NMF	Return on Shr. Equity	NMF
2017	15.5%	17.5%	20.1%	16.8%	15.4%	12.0%	20.6%	--	NMF	NMF	NMF	NMF	Retained to Com Eq	NMF
2018	51%	49%	47%	53%	56%	68%	69%	62%	57%	53%	58%	57%	All Div'ds to Net Prof	57%
2019														57%

**BUSINESS:** McDonald's Corporation operated, franchised, or licensed 37,557 fast-food restaurants in the United States, Canada, and overseas under the McDonald's banner (as of 9/30/18). About 93% 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 income in 2017. 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 235,000 employees. Officers/directors own less than 1% of common stock (4/18 Proxy). CEO: Steve Easterbrook. Inc.: Delaware. Address: 110 North Carpenter Street, Chicago, Illinois 60607. Telephone: 630-623-3000. Internet: www.mcdonalds.com.

**McDonald's has released better-than-expected fourth-quarter earnings.** The top line slipped 3% from a year earlier, to \$5.163 billion, which was slightly below our \$5.263 billion forecast. A decline was expected and no cause for alarm, as it was due to refranchisings. In constant-currency terms, the top line was flat from a year earlier, and systemwide sales were up 5%. Global comparable-store sales rose 4.4%. By geography, Foundational markets led the charge with a 7.1% comp gain, helped by results in Japan. The metric was up 5.2% in the International Lead segment, as the U.K., Germany, and Australia stood out. Likewise, robust growth in Italy and the Netherlands helped the High Growth segment notch a 4.8% increase. Finally, the U.S. market experienced a 2.3% rise in comps, reflecting growth in the average check (product mix shifts and price increases). Meantime, adjusted earnings were a nickel ahead of our forecast. Total operating costs and expenses rose, but a lower tax rate and share count supported the bottom line.

**We expect management to stay the course this year and next.** Increased delivery services, investments in mobile order/pay functionality, and menu innovation should all support earnings. Remodeled and modernized restaurants also augur well. Still, challenges remain, including stiff competition, commodity cost inflation (pegged at 1%-2% in the U.S. this year), elevated labor expenses, and slowing economic growth in China. Foreign currency movements will likely be more of a problem in 2019 than in 2018. Last year, foreign exchange provided a \$0.04-a-share tailwind (all in the first half of the year), but management estimates the 2019 headwind will be \$0.13-\$0.15. All told, we are maintaining our 2019 share-earnings estimate of \$8.20 and introducing a 2020 forecast of \$8.80.

**As for the stock, it has been volatile over the past three months.** Despite these uncharacteristic price swings, conservative accounts will appreciate the equity's low Beta and top marks for Safety and Price Stability, along with its respectable dividend yield. That said, the recent quotation leaves the stock with limited capital appreciation potential, in our view.

*Matthew Spencer, CFA February 22, 2019*

(A) Based on diluted shares. Excl. nonrecur. gain/(loss): '03, (25¢); '04, (6¢); '05, 3¢; '06, 53¢; '07, (93¢); '08, 9¢; '09, 13¢; '10, (2¢); '15, (17¢); '16, (27¢); '17, (29¢); '18, (16¢). Excl.	cum. effect of acct'g change: '03, (3¢); '04, (8¢). Incl. tax benefit: '04, 7¢. Excl. tax benefit '05, 4¢. Next egs. report due late April.	(B) Div'ds paid mid-Mar., Jun., Sep., 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.	(E) May not sum due to rounding.	Company's Financial Strength	A++
						Stock's Price Stability	100
						Price Growth Persistence	55
						Earnings Predictability	85