

# MCDONALD'S CORP. NYSE-MCD

RECENT PRICE **219.73** P/E RATIO **26.9** (Trailing: 28.0; Median: 19.0) RELATIVE P/E RATIO **1.65** DIV'D YLD **2.2%** 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	221.9							Target Price Range		
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	173.4							2022	2023	2024
TECHNICAL <b>3</b> Lowered 7/12/19	<b>LEGENDS</b> 15.0 x "Cash Flow" p sh Relative Price Strength Options: Yes Shaded area indicates recession																				
BETA .80 (1.00 = Market)	320 200 160 120 100 80 60 40 20 18																				

2022-24 PROJECTIONS		Ann'l Total	
Price	Gain	Return	
High <b>240</b>	<b>(+10%)</b>	<b>5%</b>	
Low <b>200</b>	<b>(-10%)</b>	<b>Nil</b>	
Insider Decisions			
	O	N	D
to Buy	0	0	0
Options	3	2	0
to Sell	4	0	0
Institutional Decisions			
	3Q2018	4Q2018	1Q2019
to Buy	731	886	899
to Sell	869	854	899
Hlds(000)	519207	519901	517534

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	© VALUE LINE PUB. LLC		22-24
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	28.74	27.41	<b>28.35</b>	<b>29.70</b>	Revenues per sh		<b>36.00</b>
2.36	2.88	2.98	3.43	4.06	4.85	5.22	5.92	6.77	6.93	7.24	6.65	6.89	7.86	8.54	10.02	<b>10.25</b>	<b>11.15</b>	"Cash Flow" per sh		<b>13.30</b>
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	6.66	7.90	<b>7.95</b>	<b>8.65</b>	Earnings per sh A		<b>11.00</b>
.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	4.19	<b>4.72</b>	<b>5.00</b>	Div'ds Decl'd per sh B		<b>6.25</b>
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	2.33	3.57	<b>3.10</b>	<b>3.10</b>	Cap'l Spending per sh		<b>3.00</b>
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	d4.12	d8.16	<b>d10.15</b>	<b>d11.20</b>	Book Value per sh C		<b>d15.40</b>
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	794.10	767.10	<b>740.00</b>	<b>715.00</b>	Common Shs Outst'g D		<b>650.00</b>
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	22.3	21.1	<b>20.0</b>	<b>21.1</b>	Avg Ann'l P/E Ratio		<b>20.0</b>
.80	.76	.86	.86	.93	.95	.96	.98	1.00	1.10	1.10	.98	1.05	1.02	1.11	1.14	<b>1.12</b>	<b>1.14</b>	Relative P/E Ratio		<b>1.10</b>
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%	2.6%	2.5%	<b>2.6%</b>	<b>2.5%</b>	Avg Ann'l Div'd Yield		<b>2.8%</b>

CAPITAL STRUCTURE as of 6/30/19				BUSINESS: McDonald's Corporation operated, franchised, or licensed 38,108 fast-food restaurants in the United States, Canada, and overseas under the McDonald's banner (as of 6/30/19). About 93% are operated by franchisees or affiliates, with the remainder under the control of the company. Foreign operations contributed 64% of systemwide sales and 54% of consolidated operating income in 2018. 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 210,000 employees. Officers/directors own less than 1% of common stock (4/19 Proxy). CEO: Steve Easterbrook. Inc.: Delaware. Address: 110 North Carpenter Street, Chicago, Illinois 60607. Telephone: 630-623-3000. Internet: www.mcdonalds.com.																
Total Debt	\$32654.3 mill	Due in 5 Yrs	\$11805 mill	22745	24075	27006	27567	28106	27441	25413	24622	22820	21025	20980	21250	Revenues (\$mill)	23400			
LT Debt	\$32654.3 mill	LT Interest	\$1340 mill	34.2%	35.6%	35.9%	35.7%	35.9%	35.0%	35.1%	39.0%	42.7%	49.5%	49.5%	50.0%	Operating Margin	51.0%			
LT interest earned:	9.3x; total interest coverage: 9.3x	(126% of Cap'l)		1216.2	1276.2	1415.0	1488.5	1585.1	1644.5	1555.7	1516.5	1363.4	1482.0	1525	1600	Depreciation (\$mill)	1500			
Leases, Uncapitalized	Annual rentals \$1145 mill.			4405.5	4961.9	5503.1	5464.8	5585.9	4757.8	4693.3	4920.2	5415.0	6205.3	6040	6360	Net Profit (\$mill)	7150			
No Defined Benefit Pension Plan	Pfd Stock None			30.4%	29.3%	31.3%	32.4%	31.9%	35.5%	30.5%	31.7%	31.2%	25.0%	26.0%	24.1%	Income Tax Rate	26.0%			
Common Stock	759,444,174 shs.			19.4%	20.6%	20.4%	19.8%	19.9%	17.3%	18.5%	20.0%	23.7%	29.5%	28.8%	29.9%	Net Profit Margin	30.6%			
MARKET CAP: \$167 billion (Large Cap)				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			
CURRENT POSITION	2017	2018	6/30/19	10560	11497	12134	13633	14130	14990	24122	25879	29536	31075	34000	36000	Long-Term Debt (\$mill)	40000			
Cash Assets	2463.8	866.0	1134.5	14034	14634	14390	15294	16010	12853	7087.9	d2204	d3268	d6258	d7500	d8000	Shr. Equity (\$mill)	d10000			
Receivables	1976.2	2441.5	2055.0	18.8%	19.8%	21.6%	19.8%	19.4%	18.1%	16.1%	22.7%	22.4%	27.0%	25.0%	24.5%	Return on Total Cap'l	25.5%			
Inventory (FIFO)	58.8	51.1	44.2	31.4%	33.9%	38.2%	35.7%	34.9%	37.0%	66.2%	NMF	NMF	NMF	NMF	NMF	Return on Shr. Equity	NMF			
Other	828.4	694.6	681.7	15.5%	17.5%	20.1%	16.8%	15.4%	12.0%	20.6%	NMF	NMF	NMF	NMF	NMF	Retained to Com Eq	NMF			
Current Assets	5327.2	4053.2	3915.4	51%	49%	47%	53%	56%	68%	69%	62%	57%	59%	58%	58%	All Div'ds to Net Prof	57%			
Accts Payable	924.8	1207.9	796.8	<b>ANNUAL RATES</b> Past 10 Yrs. Past 5 Yrs. Est'd '16-'18 to '22-'24																
Debt Due	--	--	--	Revenues	4.0%	1.0%	4.0%	<b>of change (per sh)</b>												
Other	1965.8	1765.6	2443.2	"Cash Flow"	8.0%	4.5%	7.0%	<b>Revenues</b>												
Current Liab.	2890.6	2973.5	3240.0	Earnings	8.5%	4.5%	8.5%	<b>"Cash Flow"</b>												
				Dividends	11.0%	6.5%	8.5%	<b>Earnings</b>												
				Book Value	--	--	NMF	<b>Dividends</b>												

Cal-endar	QUARTERLY REVENUES (\$ mill.) E				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2016	5903	6265	6424	6028	24621
2017	5675	6049	5754	5340	22820
2018	5139	5354	5369	5163	21025
2019	4956	5341	5430	5253	20980
2020	5025	5375	5500	5350	21250

Cal-endar	EARNINGS PER SHARE AE				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2016	1.23	1.45	1.62	1.43	5.71
2017	1.47	1.70	1.76	1.71	6.66
2018	1.79	1.99	2.10	1.97	7.90
2019	1.72	2.05	2.17	2.01	7.95
2020	1.95	2.20	2.35	2.15	8.65

Cal-endar	QUARTERLY DIVIDENDS PAID B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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	1.01	1.01	1.16	4.19
2019	1.16	1.16			

**McDonald's reported strong second-quarter financials.** The top line was essentially flat with the year-earlier tally. The stagnant figure reflects refranchising initiatives and foreign currency headwinds and is not investors' primary concern. Of much more importance are systemwide sales (up 8% on a constant-currency basis) and global comparable-store sales, which climbed 6.5%. The latter was nicely ahead of Wall Street's consensus forecast, which was something closer to growth of 5.3%. It also reflected broad-based geographic strength. Breaking it down further, the highly scrutinized U.S. comp figure rose 5.7% (4.4% was the consensus expectation), thanks to successful national and local promotions, including the 2 for \$5 Mix and Match deal. Classic menu items also did well, and management's ongoing efforts regarding menu innovation, modernizing restaurants, offering delivery services, cutting wait times, and incorporating mobile ordering/payment functionality clearly resonated with diners. The International Operated segment was also solid, posting a same-store sales advance of 6.6%, with notable strength in the United Kingdom, France, and Germany. Numbers were even better in the International Developmental Licensed segment, where comps were up 7.9%. All told, adjusted earnings rose 3% from a year earlier, to \$2.05 a share, matching our estimate. **Looking ahead, we think that McDonald's will continue to execute well.** Indeed, leadership appears to have a firm grasp on what customers want and is careful to never lose sight of what matters most, which is the combination of value, convenience, and taste. That said, the restaurant operator certainly faces challenges, including stiff competition and a tight labor market, which drives up labor costs and makes it harder to lure and retain employees. Foreign exchange will likely remain a headwind, as well. **As for McDonald's stock, we continue to think that it has some appeal for conservative accounts.** While the recent quotation limits its long-term capital gains potential, a respectable dividend yield and top marks for Safety, Price Stability, and Financial Strength make it more enticing for the risk-averse crowd. *Matthew E. Spencer, CFA August 23, 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¢); '19, (8¢). Excl. cum. effect of acctg change: '03, (3¢); '04, (8¢). Incl. tax benefit: '04, 7¢. Excl. tax benefit '05, 4¢. Next eps. report due late Oct. (B) Div'ds paid mid-Mar., Jun., Sep., Dec. (C) Incl. intang. At 12/31/18: \$2,331.5 mill, \$3.04/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	65
	Earnings Predictability	85