



MCDONALD'S CORPORATION

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Business Overview

McDonald's Corporation (McDonald's) (NYSE: MCD) operates and franchises McDonald's restaurants. The Company's restaurants serve a locally relevant menu of food and drinks sold at various price points in over 100 countries. The Company's segments include U.S., International Lead Markets, High Growth Markets, and Foundational Markets and Corporate. The U.S. segment focuses on offering a platform for authentic ingredients that allows customers to customize their sandwiches. Its High Growth Markets segment includes its operations in markets, such as China, Italy, Korea, Poland, Russia, Spain, Switzerland, the Netherlands and related markets. The International Lead markets segment includes the Company's operations in various markets, such as Australia, Canada, France, Germany, the United Kingdom and related markets. The Foundational markets and the Corporate segment are engaged in operating restaurants and increasing convenience to customers, including through drive-thru and delivery.

Key Statistics

Exchange	NYSE: MCD
Share Price (09-Feb-18)	\$160.80
52-Week High and Low	\$178.70-\$124.36
Shares Outstanding	797.19M
Free Float	796.77M
90 Trading Day Avg. Daily Volume	3.4M
Market Cap	\$128B
Annual Dividend Yield	2.44%
Beta	0.85 Times

Industry Perspective

The fast food industry, a segment of consumer goods industry, is by its name explains the competition and the competitive advantage based on taste, additives, variety of products, price, approach and consumer loyalty. The fast food demand is growing on a fast pace in U.S. as around 17% of U.S. consumers dine out at quick-service restaurants at least once a month and approximately 20% visit them at least once a week. To cater such kind of demand, the consumer products companies must remain nimble and one step ahead of the curve. The economy, enabling technologies, platforms, and consumer mindset are the primary factors that affect the fast food industry to survival. Consumer mindset is the primary factor that gives an indication to fast food companies about their future. As the consumers are becoming more health conscious, will directly affect the industry not just in terms of decline in sales but raising competition. According to the World Health Organization, higher frequency of visits to restaurants by consumers is causing obesity and related health problems in the United States. Many of the leading fast-food brands in the U.S. specialize in high-calorie foods, such as burgers, pizza and fried chicken. The fast food industry in U.S. is dominated by worldwide famous brands such as McDonald's, KFC, Pizza Hut and Burger King, Although McDonald is the largest quick service restaurant in terms of brand value, Subway is by far the largest QSR in the United States in terms of number of Units.

Management Perspective

The year 2017 was a strong year for McDonald's as the company served more customers more often, achieved the best comparable sales performance in six years, gained share in markets around the world and made tremendous progress with growth platforms such as delivery, mobile order and pay and Experience of the Future. The customers responded to the many ways and the company is making their experience more convenient and enjoyable. For 2018, the company is planning to invest about USD 2.4 billion of capital, the majority of which will be dedicated to reinvesting in its existing locations through accelerated deployment of Experience of the Future in the U.S. The development plans also include the opening of about 1,000 new McDonald's restaurants, 75% of which will be funded by the expanded network of developmental licensees and affiliates around the world. At the same time, the company is working on to continue making meaningful investments in technology to modernize the customer experience and redefine convenience. The management explained that the growth plan is working and is focusing on aggressive execution in 2018 to achieve the even greater ambitions and brand in the years ahead. With the commitment the McDonald's system has to running great restaurants and maximizing the growth initiatives, the management is confident that they will accelerate the momentum by capitalizing on strong business model and distinct brand advantages in convenience, menu variety and value.

Investor Perspective

The Stock is trading at the current P/E multiple of 25.28 times while Forward P/E (1 year) multiple of 20.97 times based on the last closing. The stock has depreciated by 2.89% over a 3-month period, 6.58% year to date while appreciated by 27.8% over the year. The stock has a beta of 0.85 times indicating less systematic risk than that of the market, offering riskless future appreciation theoretically. As far as the liquidity is concerned, the free float is amounting to 796.77M shares out of 797.19M total outstanding shares, providing strong liquidity to investors. Stock captures the 90 trading day average daily volume of 3.4M again providing the evidence of liquidity to investors. Last but not the least, Stock offers an annual dividend yield of 2.44% based on the last closing, hence the large-cap stock may be suitable for the long-term investors as well as investors who seek or prefer dividend income along with capital appreciation.



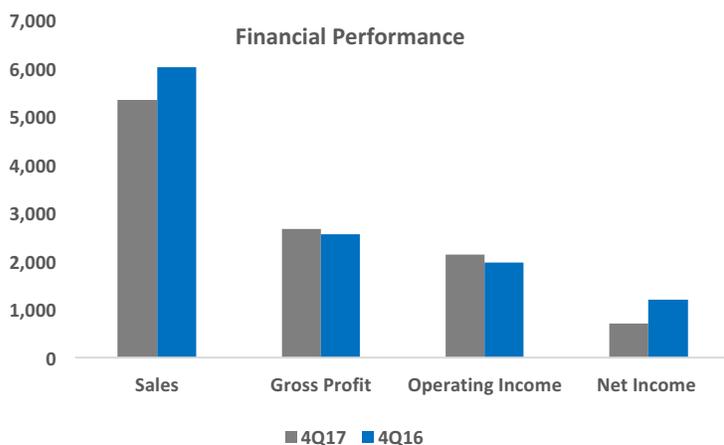
2017 EPS clocked in at USD 6.37, up 11%YoY

- MacDonald reported unaudited consolidated earnings of USD 5.19bln (EPS: USD 6.37) for 2017 against earnings of USD 4.7bln (EPS: USD 5.44) in 2016, up 11%YoY. For 4Q17 alone, net profit clocked in at USD 0.7bln (EPS: USD 0.87) compared to earnings of USD 1.19bln (EPS: USD 1.44) in the comparative period, down 41%YoY. The decline was due to the reduction in sales by 11%YoY as a impact of the Company's strategic refranchising initiative.
- Operating profit of the company grew by 9%YoY despite the fact that the revenues declined. The company implemented the cost reduction strategy efficiently and as a result the cost of sales declined by 23%YoY more that the decline in sales and S,G&A expenses declined by 2%YoY.
- On a sequential basis, earnings have gone down by 63%QoQ compared with preceding quarter. The decrease was due to reduction in consolidated revenue by 7%YoY compared with preceding quarter.
- The company announced a quarterly cash dividend of USD 1.01/share. The total cash dividend paid in 2017 was USD 3.83/share.

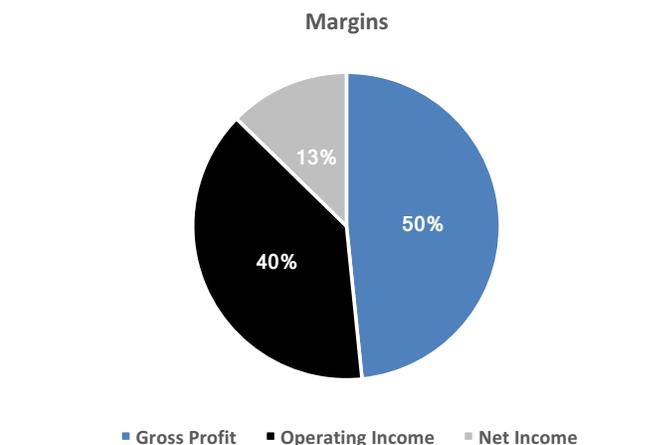
Financial Summary

(Amounts in 'Million')	4Q17	4Q16	YoY	2017	2016	YoY	3Q17	QoQ
	\$	\$		\$	\$		\$	
Sales	5,340	6,029	-11%	22,820	24,622	-7%	5,755	-7%
Cost of Sales	2,675	3,471	-23%	12,200	14,417	-15%	2,937	-9%
S,G&A expenses	618	628	-2%	2,231	2,385	-6%	567	9%
Other Operating Expenses/(Income)	(96)	(38)	151%	(1,163)	76	-1637%	(829)	-88%
Operating Income	2,144	1,969	9%	9,553	7,745	23%	3,079	-30%
Net Income	699	1,193	-41%	5,192	4,687	11%	1,884	-63%
Diluted EPS	0.87	1.44		6.37	5.44		2.34	

Source: Company Financials



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Sources

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