

March 8, 2023

McDonald's (MCD)

Consumer Discretionary – Quick Service Restaurants

Stock Rating

SELL

Investment Thesis

We recommend a **SELL** rating for McDonald's with a target price of \$265 to \$280, representing a return of 0-5.5%. McDonald's is one of the world's most popular and recognized brands. Although McDonald's is incredibly recognizable, it is in a very mature market that is very saturated with intense competition.

Drivers of Thesis

- McDonald's operates in a mature and incredibly competitive market, which could limit growth opportunities. The restaurant industry is expected to grow, if not lag, the overall economy¹.
- Uncertainty regarding the Russia and Ukraine war as well as Russia and China's strengthening relationship could impact McDonald's.
- The impending recession coupled with inflation is a major headwind in the upcoming 12 months.

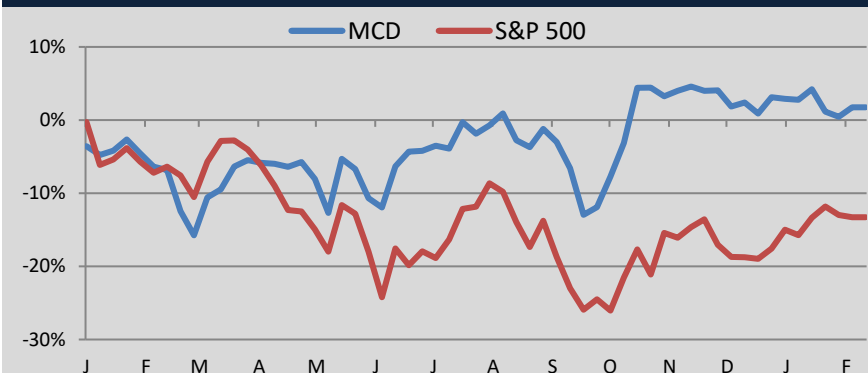
Risks to Thesis

- McDonald's has one of the most recognizable brands in the entire world and understands how to leverage this advantage.
- As automation and technology continue to be utilized in the quick-service industry, margins could be improved.
- Along with margin improving technology, the shift towards a more predictable and higher margin franchise model will improve financial performance.

Earnings Estimates

Year	2020	2021	2022	2023E	2024E	2025E
EPS	\$6.35	\$10.11	\$8.33	\$10.89	\$11.19	\$11.89
HF est.				\$9.08	\$10.25	\$11.18
Growth	-21.13%	59.21%	-17.61%	9.01%	12.88%	9.04%

12 Month Performance



Target Price

\$265-280

Henry Fund DCF	\$269
Henry Fund DDM	\$220
Relative Multiple	\$239

Price Data

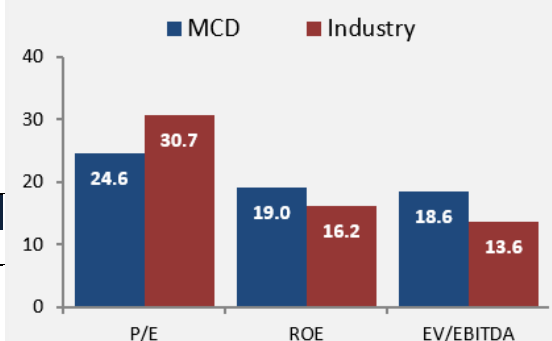
Current Price	\$265
52wk Range	\$218 – 282
Consensus 1yr Target	\$293

Key Statistics (FactSet)

Market Cap (B)	\$193.93 B
Shares Outstanding (M)	\$732.42 M
Institutional Ownership	70.46%
Beta	0.73
Dividend Yield	2.26%
Est. 5yr Growth	7.30%
Price/Earnings (TTM)	26.1
Price/Earnings (FY1)	24.9
Price/Sales (TTM)	8.5

Profitability

Operating Margin	44.59%
Net Profit Margin	32.49%
Return on Assets (TTM)	14.01%
Return on Equity (TTM)	-96.43%



Company Description

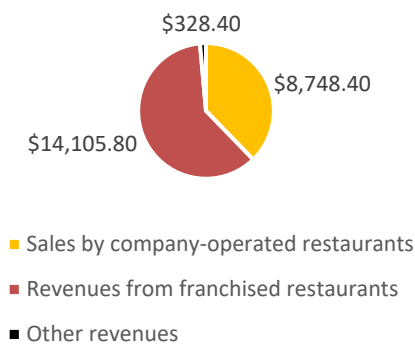
McDonald's is a quick-service restaurant (QSR) founded in 1955 that operates 40,275 stores in 119 countries. Of the 40,275 stores, 38,261 (95%) of them were operated under a franchised model⁴⁵. McDonald's primarily serves burgers and chicken products but provides a wide menu to choose from. McDonald's has transformed into a worldwide favorite; however, I'm not loving it as a current holding in the Henry Fund.

COMPANY DESCRIPTION

McDonald's is a quick-service restaurant that is headquartered in Chicago, Illinois. The Company operates two main segments in three different markets. The main segments that drive revenues are franchised stores and company owned stores. McDonald's is currently 95% franchised and completed the goals of the "Accelerating the Arches" campaign to become 95% franchised. In the past seven years as the Company was moving towards a franchised model, the revenue breakdown changed with it. In 2015, company owned stores comprised 65% of total revenues. By 2022, that number shrank by 42% to make up 38% of total revenues.

McDonald's operates in three markets, the United States, International Operated Markets (IOM), and International Developmental Licensed Markets and Corporate (IDM). United States stores refers to stores within the United States. IOM restaurants include Australia, Canada, France, Germany, Italy, the Netherlands, Spain and the U.K. IDM restaurants are operated in 80 countries, including China, Japan and Brazil. 98% of these restaurants are franchised.

'22 Revenue Breakdown



Source: MCD 10k

Company Owned

Company owned stores used to be the primary driver of McDonald's sales, making up over 65% in 2015. Since 2015, that percentage has decreased to only 38% of total revenues in 2022⁴⁵. The large change over the past seven years is due to the company moving towards a model that is 95% franchised, and in 2015 it was 80% franchised. Company owned stores offer lower margins than franchises due to more expenses being incurred despite

having far less company stores than franchises. In 2022, there were 2,106 company operated stores compared to 38,169 franchises. Even though there were far less company stores than franchises, company stores racked up far more costs than franchises. In 2022, company owned restaurant expenses accounted for 75% of restaurant expenses. McDonald's has a plan called, "Accelerating the Arches" to get to a model of 95% franchised stores worldwide⁴⁵. At the end of 2022, the composition of stores was 95% franchised and 5% company owned, which achieves the goals of the company. We forecast that company sales will decline by 1.50% per store yearly and the number of company owned restaurants will decline at 2% yearly. As McDonald's closes more company stores, revenues will decline with the closures. We forecast that over the next 10 years, company operated revenues will fall by 40% to \$5,187 million. We also forecast that company operated costs will fall by about 39% to \$4,486 million. This is a good strategy for the Company because even though total sales will be declining, costs will be declining and allowing for more investment into franchising stores. Although the "Accelerating the Arches" strategy of having 95% of all stores be franchise has been accomplished, the Company might opt to continue to focus on franchising stores due to more revenue coming from those stores at a cheaper cost. If this is the case, company-operated stores might become obsolete in the future which could be beneficial.

Franchised

The franchised store model is the preferred revenue driver for McDonald's. Franchising stores allows for a more reliable revenue stream at a much lower cost. Franchise revenues consist of three parts, rents, royalties, and initial fees. Royalties and rent are calculated on a percentage of sales by each restaurant. There is a minimum rent payment that franchisees must pay, and it is calculated as a straight-line over the franchise term. Along with the minimum rent, franchisees must pay variable rent payments that are based on a percent of sales⁴⁵. These franchises agreements are generally 20-year terms and have strict requirements to become a franchisee. These leases are especially beneficial to the Company for multiple reasons. Leases generally provide rent escalation, which can include fixed rent, and these escalations are

based on inflation and fair-value market adjustments. Renewing leases is solely the choice of McDonald's.

Although franchised revenues increased 8% from 2021 to 2022, initial fees decreased 8%. This is likely attributable to McDonald's allowing franchisees to defer certain rent and royalties due to COVID in 2020. Roughly \$1 billion was deferred and all the revenue has been collected as of year-end 2022⁴⁵. If initial fees continue to decline this could be indicating that people are not wanting to franchise a restaurant, which is something that needs to be monitored especially in the current economy. A decline in franchised revenue growth paired with a decline in company operated growth could be a major headwind for McDonald's in the coming years. However, growing revenue and the ability to charge more for rent coupled with very high margins could be a major performance booster for the Company.

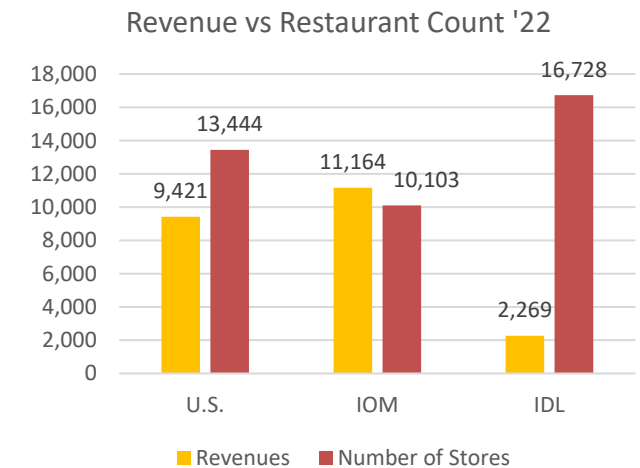
There is risk with having 95% of stores franchised, however. MCD does not have control over the type of workers being hired, the customer service being provided, and food quality. If franchisees begin to operate in a way detrimental to the brand, consumers might cut back visits to McDonald's. Franchise stores have far superior margins, but the lack of hands-on quality control could be detrimental.

Other revenues are comprised of technology fees paid by franchisees, revenues from brand licensing agreements and third-party revenues for the dynamic yield business and do not have a substantial impact on financial performance.

Developmental License or Affiliate

From a cost perspective, developmental licensed or affiliate restaurants are arguably the best for McDonald's. Under this model, licensees are responsible for operating and managing the business, providing capital, and opening new restaurants. McDonald's usually invests no additional capital under this arrangement and still receives a royalty based on a percent of sales as well as an initial fee. Affiliate restaurants largely operate similarly, but there are a few differences. Affiliate arrangements are used in a limited number of foreign markets and McDonald's has an equity investment in the store. The two primary markets that this model is used in are China and Japan. Although this

segment has the most stores, it contributes the least amount of revenue to the Company.



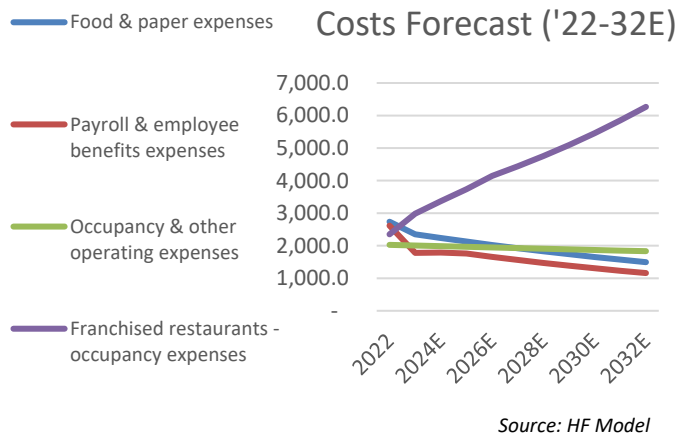
Delivery Services

During 2020, the popularity of delivery services rose, and McDonald's has been attempting to take advantage of the newfound trend. At the end of 2022, nearly 35,000 restaurants in the U.S., U.K., Canada and Australia offer the delivery service. McDonald's has begun forming long-term relationships with delivery services such as UberEats, DoorDash, Just Eat Takeaway.com, and Deliveroo. These 3rd party services may not have the same profitability as in-store delivery, so the Company will likely continue to build those capabilities for more stores. 3rd party services also come with risks. If food safety, food quality, and customer satisfaction are negatively impacted by 3rd parties, the brand image could be negatively impacted.

Cost Structure Analysis

Expenses are broken into four different categories, food & paper, payroll & employee benefits, occupancy and other, and franchised restaurants. The first three expenses relate to company operated stores, and franchised restaurants refers to franchised operated costs. In 2022, company operated expenses accounted for 53% of total operating costs. We forecasted that these costs would make up 33% of total operating costs in 2032. The decline is due to a lower amount of company operated stores as well as the adoption of technology within the industry. Franchise expenses accounted for 27% of total operating costs in

2022. We forecasted these costs to rise to 46% of total expenses. As land likely continues to appreciate and raw material input costs rise, it will be more expensive for McDonald's to continue to build and expand the franchise business. As McDonald's continues to close company operated restaurants, it can be expected that expenses will fall with it.



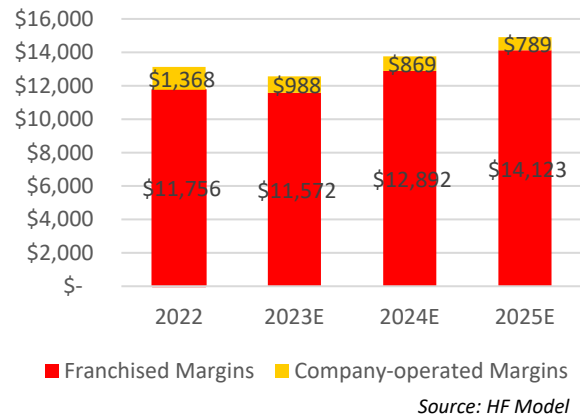
Additional Company Analysis

Margins

Franchised margins historically have been higher due to franchisees being responsible for day-to-day operations. In 2023, food inflation might still be elevated, which could lead to a decline in company-operated margins. Margins for company-operated restaurants are expected to fall as there is less revenue produced by the stores and the costs do not fall as quick as sales are increasing. As franchised restaurants continue to be opened at a much higher clip than company-operated restaurants, there will be more costs that are associated with franchises. Franchised expenses were forecasted especially as it potentially becomes more expensive to acquire franchisees, land costs increase, and other franchise costs increase. In 2022, company-operated margins were 10% of total margin dollars, with franchise dollars making up the remaining 90%. By 2025, we project that company-operated margin dollars will fall to 5%, with franchise margins being the remaining 95%. As franchise restaurants make up more of

the sales and the margin dollars improve, net income will go up with it.

Company vs Franchised Margins



MyMcDonald's

MyMcDonald's is McDonald's loyalty app that allows customers to order food and receive various promotions. The app has been growing, reaching 50 million active members, with 28 million in the U.S.⁴⁵. Using this app allows consumers to receive customized offers for food, place orders for delivery, takeaway, or even curb-side pick-up. Continuing to build out the app and customize it for consumers even more will make users more engaged and perhaps order more food, leading to an increase in sales.

Debt Maturity Analysis

In 2022, McDonald's had \$36,142.40 million of debt, with \$147.40 million of deferred costs for a total debt balance of \$35,903.50 million. There were \$2.7 billion of short-term obligations, but the Company decided to roll that into a line of credit that expires in 2024. McDonald's is in a good position to repay its debt as 96% of the balance is fixed rate, so the Company will not get hit as hard by rising interest rates. The weighted-average interest rate for their debt is 3.5%, which is very low especially in the credit market today. 64% of debt is U.S. dollar denominated, meaning 36% is foreign denominated. This could potentially negatively impact McDonald's cash flows if the dollar continues to soften, but it should not be substantial

enough to hurt the Company. The largest foreign denominated currency held is the Euro. The European Central Bank (ECB) has risen rates, but not to the extent that the Federal Reserve has. The fixed rate Euro debt, which is 96% of the debt, has an interest rate of a mere 1.6%. One problem that could arise is if the Company decides to continue to purchase real estate with debt to support the franchise business. In the current interest rate environment, that could prove costly as the cost of borrowing has dramatically increased since the beginning of 2021. McDonald's should be able to continue to fulfil their obligations and not have to refinance or push out maturities, unless it is beneficial.

Five-Year Debt Maturity Schedule

Fiscal Year	Payment (\$mil)
2023	\$0
2024	\$5,472.9
2025	\$3,060.5
2026	\$2,418.7
2027	\$2,487.2
Thereafter	\$22,703.1
Total	\$36,142.4

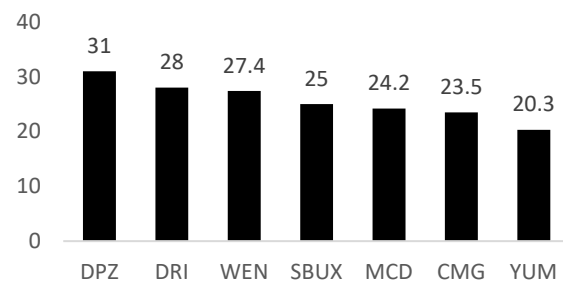
Source: MCD 10K

ESG Analysis

Although ESG does not really impact a company's value or the stock price (as it stands today), it has become more important in the investment industry. I believe that these calculations should be taken lightly as there is not really a formula that fits for each company, if there even is a defined formula. These scores that were derived from Sustainalytics are in five risk ranges, negligible, low, medium, high and severe. Negligible risk ranges from 0-10, low from 10-20 and so on. Of the peer group, McDonald's had the third lowest score at 24.2. McDonald's has committed \$250 million to help people of color and of diverse backgrounds open new stores (10k). The average score for the group was 25.6, which indicates that these restaurants are a medium risk. Perhaps in the future an ESG score will have a material impact on companies,

especially as more companies shift their business to comply with this new standard.

ESG Scores



Source: Sustainalytics

RECENT DEVELOPMENTS

Recent Earnings Announcement

McDonald's recently report earnings on January 31st, 2023, with mixed results. McDonald's did not beat consensus on the top line with revenues of \$5.93 billion, which was down 1.4% YoY. On the bottom line, EPS was \$2.59, which beat consensus of \$2.44. Although McDonald's beat on the bottom line, full year revenue, operating income, net income and diluted EPS were all down. Revenue only slightly lagged 2021, but the other measures were each down 10% or more.

McDonald's CEO Chris Kempczinski continues to see inflation as a short-term problem in 2023 and expects to continue to feel the impact of higher costs. Along with continued inflation, Kempczinski also noted that the quick-service restaurant industry has been shrinking, which could be a headwind and something worth monitoring in 2023. Not all is bad with McDonald's, however. Digital orders and delivery saw good growth figures in 2022. The loyalty app was downloaded over 40 million times in the United States, digital sales represented 35% of sales in the top six markets, and McDelivery World Cup promotions saw double-digit increases in the top ten markets. McDonald's also has different promotions including cultural promotions that have assisted in strengthening the brand even more. It is reasonable to assume that if McDonald's keeps having this type of momentum, then

revenues will recover, and the Company will be in a strong position⁴⁵.

COVID-19 Impact

The COVID-19 pandemic crushed the restaurant industry. Before the pandemic in 2019, there were 196,794 quick-service restaurants in the United States and by the end of 2020 there were 183,543, a loss of 6.73%. The number of employees also fell by 16.50% from 13.49 million workers to 11.26 million²⁹. Full-service restaurants felt the most pain in terms of losing workers. In 2019, full-service restaurants employed 1,116,894 people, but by the end of 2020 that number was 17% less and fell to 923,097. It is projected that by the end of 2022 these restaurants would be near pre-COVID levels, but still not at the 2019 peak³⁰. Losing so many workers across the restaurant industry in one year has made for a tougher recovery as workers are not returning to the restaurant industry for fear of COVID and low wages. COVID-19 also caused supply chain bottlenecks, which caused input prices to increase for restaurants and cause widespread shortages. As the pain from COVID continues to go away, restaurants will likely continue to see demand increase and hopefully continue to add back lost workers.

Russia-Ukraine War

The Russia-Ukraine War sent ripples through financial and commodity markets. Ukraine is a large producer of grain and Russia is a large producer of oil, leading to spikes in prices which raised input costs. McDonald's, Starbucks, and Yum! Brands all made the decision to cease operations in Russia upon the invasion. Wendy's ceased operations in 2014, and it allegedly had nothing to do with politics. Starbucks and Yum! Brand ceasing operations should not have a substantial impact on revenues, although it does take away employment and a source of food for Russians. McDonald's faced pre-tax charges of \$1,281 million in relation to the sales of business in Russia, this sale included the closure of 855 restaurants. The Company will recognize significant foreign currency translation losses. McDonald's officially stopped recording sales from the restaurants at the beginning of the 2nd quarter as they were considered permanently closed on April 1st, 2022. Ukrainian stores reopened in September 2022 after being closed due to the war⁴⁵. The war did impact these

companies by causing a spike in commodities that are vital to the input costs paid. Inflation was not solely because of Russia invading Ukraine, but it certainly had an impact, and the resolution of the conflict will hopefully return some prices back to normal.

INDUSTRY TRENDS

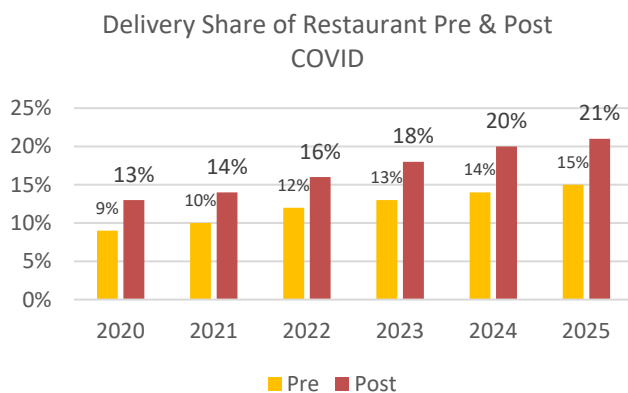
Technological Improvements

Being consumer-centric and keeping up with trends is vital to a restaurant's long-term success. COVID-19 forced restaurants to rethink how they serve customers and make changes, whether they wanted to or not. The pandemic made consumers want contactless payments and contactless ordering²⁴. Having the ability to pay contactless and without having to rely on workers to take the payment is not only more efficient for the restaurant, but it is also beneficial for consumers who do not have to wait for a worker. Contactless payments have gained such a large amount of popularity that it is projected that the global value of these payments will increase from \$2 trillion to \$6 trillion by 2024²⁷. Kiosks are one way that restaurants can improve efficiencies and lower labor costs. Kiosk prices have some range in pricing and could be tedious to install. Large kiosks that QSR's would need range between \$1,000 and \$4,000 and could face additional software and extra services costs along the way.

Restaurants continuing to adapt to consumers desires to pay contactless could be a necessity, even if it takes a lot of capital expenditures to overhaul existing systems. Along with contactless payments, contactless ordering has become more popular since COVID-19. Restaurants have begun using QR codes for consumers to scan and view menus³⁴, although not all QR codes allow a consumer to order, they can still decide on what to eat. For the QR codes that allow consumers the ability to order, allowing the customer the ability to make edits to their order rather relying on pen and paper from waiters/waitresses to ensure accuracy could help benefit loyalty. If a customer knows they can order on their own and receive a meal that is exactly what they want, it is reasonable to assume that they will return.

Delivery Apps

When consumers were locked down and unable to attend restaurants, they searched for a convenient option to satisfy food cravings. 3rd party apps like DoorDash, Uber Eats, Postmates, etc. became more prevalent and began gaining popularity. In 2019, platform-to-consumer delivery had 50.7 million users. This type of delivery includes the use of 3rd party apps rather than the restaurants drivers (ie, Domino's drivers delivering a pizza). At the end of 2020, that number increased 31% to 66.3 million users. However, growth slowed from 2020 to 2021 to an increase of 13% or roughly 12 million people³¹. Before COVID, the market share of the restaurant industry that delivery apps had was projected to be 9% in 2020 then grow to 15% by 2025. After COVID popularized delivery services, this figure changed to be 13% in 2020 and grow to 21% by 2025. If delivery services are able to grow at this pace, it might make restaurants invest more into their own delivery services. In the future, it might be hard for 3rd party apps to continue growing at a rapid pace. These apps tend to charge convenience fees and drivers expect tips, which consumers might become fed up with paying. Restaurants are also hurt by the increase of popularity with 3rd party apps. 3rd party delivery services take a cut of 20-30% of the order (industry survey), a fee that could impact restaurant margins in the future. It is projected that consumers will use restaurant-to-consumer services rather than 3rd party apps, and it could be because of the high additional costs these apps require a consumer to pay.



Healthier Options

Americans are increasingly trying to eat healthier and find healthier alternatives to their favorite foods. McDonald's

has recognized this and has even started to hire dietitians to develop healthier menu options²⁴. The result of hiring these dietitians was McDonald's beginning to source chickens that are free of antibiotics and more salads being added to the menu. A recent trend in the food space has been plant-based meat, whether this trend is here to stay could be up for debate. As of November 2021, 65% of Americans had consumed plant-based meat alternatives in the past year²⁰. The two largest QSR brands in America, Starbucks and McDonalds, sought to capitalize on this new trend. In June 2020, Starbucks announced that all stores in the United States would be carrying the "Impossible Breakfast Sandwich." This sandwich compliments the other plant-based milk alternatives already in use like soy, coconut, almond, and oat milk²¹. McDonald's introduced a plant-based patty in 2020 called the "McPlant." The burger was initially tested in Canada with plans to unveil the burger in the United States in 2021²¹. KFC and Burger King have also hopped on this trend and offer plant-based chicken products. KFC offers plant-based chicken and Burger King offers plant-based chicken nuggets in the U.K. (new plant source) Chipotle also offers vegetarian chorizo made from chickpeas. As America continues to become more health conscious, quick-service restaurants will have to continue to provide healthier options at a comparable price.

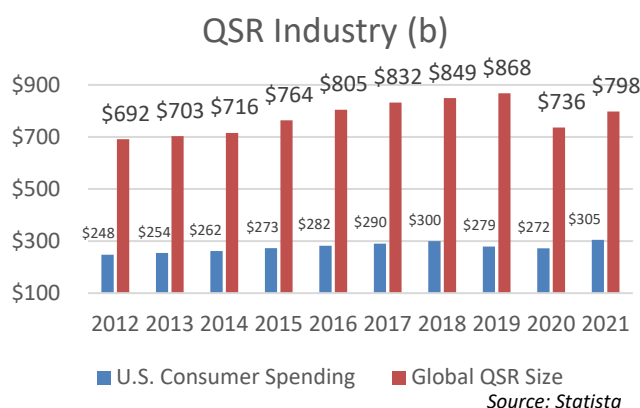
Wage Increases

Providing workers a living and acceptable wage is at the forefront of conversations across all industries. Although working as a fast food/counter worker is not meant to be a career, wages are still a large talking point. The mean hourly wage for these workers was \$12.53, or \$26,060 annually¹⁵. Low wages and tips were the leading cause of restaurant workers leaving their jobs as of July 2021¹⁶. This is understandable when looking at the low annualized wage, although fast food/counter workers generally do not receive tips. California Governor Gavin Newsome signed the FAST Act (Fast Food Recovery Act) in September 2023. This bill aimed to raise the minimum wage for fast food workers to \$22 an hour. It quickly got blocked and will not be put into effect unless it passes the vote November 2024¹⁷. If more states push bills like this one successfully, wage increases could hinder margins and profitability even more for restaurants. The minimum wage for tipped employees is even lower than the \$7.25 federal minimum wage. The minimum cash wage is only \$2.13¹⁸, if the federal government or state governments raise these

wages, full-service restaurants' already low margins would be even lower, and it would likely cause them to raise prices. If wages do stagnate, restaurants might continue to struggle to find workers willing to put up with the work for a low wage.

Declining Market

Consumer spending in the United States quick-service restaurant market previously peaked in 2018 and the market size of the worldwide industry peaked in 2019. Over the past 10 years, consumer spending in the United States QSR has a compound annual growth rate (CAGR) of 2.09% and it peaked in 2018 at \$299.60 billion⁴⁵. The global market size of QSR's had a similar CAGR over the same time frame at 1.80%, peaking at \$868.11 billion⁵¹. This is interesting to see and perhaps shows that COVID-19 was not the only factor in these restaurants' slowdown and slower growth. COVID did have an impact on the market size and consumer spending, however. The QSR market size is still 4.75% below its 2019 peak nearly three years after the start of the pandemic. As restaurants still recover from the aftermath of the virus during uncertain economic times, it is a reasonable assumption that growth will continue to be slow, if not negative, and recovering to the peak might be difficult. Although the global market size is still below the 2019 peak, United States consumer QSR spending in 2021 above its 2018 high. However, it is not up by much, only a mere 1.74%. Over the last 10 years, total QSR spending is up 23%. This is slightly below the CPI for All Urban Consumers: Food in U.S. City Average, which increased 25% over the same time period⁵². This is important to note because if the United States QSR industry is growing because of food inflation and not attracting new customers, growth will likely eventually stagnate or decline as consumers are more unwilling to pay these elevated prices.



Automated Technology

Automation in the workplace with AI has become increasingly debated in the United States and the QSR industry would likely benefit greatly from automation. Restaurants are struggling to find workers, let alone workers willing to work for low wages to deal with customers being unnecessarily disrespectful. Robots do not care about this. AI has the potential to completely disrupt the restaurant industry by taking orders, preparing these orders, and even delivering them. Automated order-taking (AOT) technology allows customers to give their orders to AI in the drive-thru line and the machines are at a high enough level that orders can be made in different languages and modifications can be made. McDonald's has already partnered with IBM to implement this technology in drive-thru's³⁵. AOT technology is still relatively new, but kiosks and mobile apps have been around and are gaining more popularity.

Self-order kiosks and mobile apps allow consumers to enter their order exactly how they want it before it gets sent to the kitchen. Consumers are also allowed to pay through both modes, which can increase efficiencies even more.

Arguably the most important part of a restaurant is being replaced by robots as well, the cooks. Miso Robotics begun experimenting with a robotic cook called "Flippy," then later introduced "Flippy 2." Flippy 2 was able to work an entire fry station and was able to perform more than two times as many food preparation tasks as Flippy⁴⁰. Flippy 2 was also able to identify different foods and was faster than the previous Flippy. One clear concern with this is food safety, but companies are already preparing for this. Robotics companies are preparing for this by using substances like food-grade liquid silicone rubber (LSR). By coating machines in LSR, contaminants and bacteria spreading can be prevented.

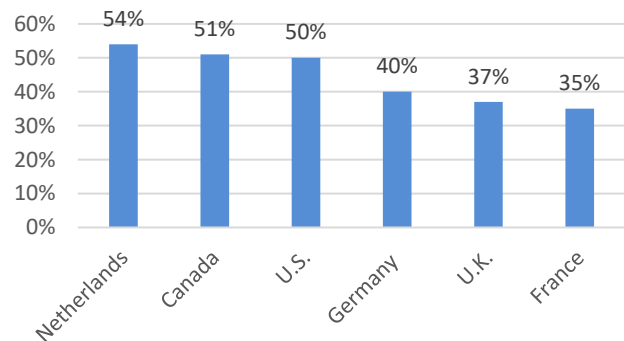
Miso Robotics currently offers four robotics relevant to QSR's, Flippy 2, Flippy Lite, CookRight Coffee, and Sippy. All these machines could be relevant to restaurants, but the Flippy lines are the most relevant due to frying capabilities. The two robots perform similar tasks, but the Lite version is only able to focus on a single product whereas the full Flippy can focus on three items and up to five fryers. The robot is not cheap, however. Flippy cost \$50 million to develop and costs restaurants \$5,000 to install, then \$3,500 per month to rent⁴⁰. This might seem costly, but it

would likely result in reduced labor costs and perhaps menu costs. In February 2023, the average fast food workers salary was \$24,860, or \$11.95 hourly⁴⁰. One Flippy machine that does not get tired, does not need a break, cannot get hurt, and cannot complain, would cost a company \$47,000 yearly as it currently stands. Two average paid workers would cost a company \$49,720 yearly. If an employee's wage was \$15 rather than \$11.95, the yearly wage is \$31,200, or \$62,400 for two workers. The cost benefits of Flippy are clear, but it comes down to availability and seeing how the machine works for a prolonged time.

In December 2022, McDonald's caused some controversy by opening their first automated restaurant in Fort Worth, Texas³⁹. As of now, there is still a crew that prepares orders, but tasks of delivering food to the front or drive-thru and handling the register are gone. This restaurant is smaller than most and it is geared towards consumers who are eating at home or on the go. It even features a conveyor belt for customers that order ahead to pick up orders. This will likely please customers as they will not have to deal with staff members and can quickly get their food and leave. This restaurant is still in the early stages, but if it goes well, it can be expected that McDonald's and other competitors might shift to this model to utilize cost benefits. Utilizing this model might also allow for locations to charge lower prices, which could improve demand.

Automation will disrupt many jobs as we currently know them. There is still a long way to go in the restaurant industry for full autonomy from ordering food to preparing orders, but it will likely happen. As restaurants continue to face labor challenges, it can make sense to invest into AI and robotics because it will likely keep costs down in the long run due to not having to pay multiple workers salary to do some less efficient than what is available. A reduction in the size of restaurants will allow for less material costs in building restaurants and lower occupancy costs. Although autonomy can have major cost benefits, scalability and long-term functionality still need to be proven until the entire industry is ready to make the transition.

Restaurant Operators Planning to Utilize Autonomy in next 2-3 years



Source: Lightspeed

MARKETS AND COMPETITION

Peer Comparisons

Companies in the North American Restaurant Industry all have different characteristics that make them valuable. Whether it be providing a low-cost meal, providing multiple chains to choose from, or allowing consumers to enjoy a full-service meal, the restaurant industry is a valuable industry. Although it is a valuable industry, competitors must stay on top of the competition by providing good service and a brand that a consumer can love and want to continue to come back. The three main types of restaurants are quick-service, fast-casual, and full-service.

Franchise vs Company Owned

The peer set of restaurants largely opt to franchise restaurants rather own them. This makes sense because franchise stores will generally have higher margins than company-owned stores. McDonald's is 95% franchised, and one of the Company's largest competitors, Yum!, is 98% franchised, not giving McDonald's an edge in that regard. With many restaurants opting to franchise, operations will likely continue to see improved margins, once again putting more pressure on McDonald's to continue to have good performance. As McDonald's continues to open franchise operated stores, they might

get an edge on competitors and continue to improve margins compared to competitors.

	Company Owned	Franchised
MCD	5%	95%
SBUX	51%	49%
DRI	97%	3%
YUM	2%	98%
YUMC	92%	8%
CMG	100%	0%
WEN	6%	94%
DPZ	1%	99%

Source 10k's

US vs International

Reaching as many consumers as possible is key for restaurants to continue to grow. Having an international exposure is pivotal for brands to reach these new consumers. Yum! Brands is the best positioned in this regard with 37,433 (68%) of stores outside of the United States. Yum! also operates multiple chains, which helps with diversification of revenues internationally. McDonald's is second with international restaurants with 26,831 (66%) of stores outside of the United States. McDonald's does change offering depending on where the restaurant internationally, but only operates one brand, limiting some diversification.

	US	Int.	Total
MCD	13,444	26,831	40,275
SBUX	17,381	18,789	36,170
DRI	1,822	65	1,887
YUM	17,928	37,433	55,361
YUMC	0	13,000	13,000
CMG	3,129	53	3,182
WEN	5,994	1,101	7,095
DPZ	6,686	13,194	19,880

Source: 10k's

Peer Comparisons:

Starbucks (SBUX):

Starbucks is the clear leader in the takeaway/drive-thru coffee market with a market cap of \$125.37 billion. As of

October 2022, Starbucks operated 17,295 stores, with 10,216 being company-operated (59%) and 7,079 (41%) being licensed stores². In 2021, Starbucks was the second most valuable quick-service restaurant brand at \$60.3 billion, trailing only McDonalds³. No other primarily coffee brand was within the top 10. Along with selling coffee and food, Starbucks offers consumers various other items to purchase such as apparel, various cups and mugs, and coffee and coffee products consumers can use at home. Over the past five years, Starbucks has averaged a 12.1% net margin. Starbucks is not a large threat to MCD, except in the coffee space. MCD has begun to capture more of a market share in the coffee space, something the Company will have to work hard at to capture more.

Darden (DRI):

Darden has a \$18 billion market cap and is comprised of multiple full-service restaurants with the most recognizable being Olive Garden, LongHorn Steakhouse, and Cheddar's Scratch Kitchen⁵³. Darden's portfolio of restaurants are classified as full-service restaurants and the Company operates 1,867 restaurants with the vast majority being the aforementioned restaurants. Of the 1,867 company-owned restaurants, only 76 were operated on owned sites and the remaining 1,791 were on leased land. This could adversely affect Darden in the upcoming year(s) due to rising interest rates and the potential for the lessor were to not renew the lease. Although Darden primarily leasing restaurants could be a risk, their portfolio of restaurants provides great diversification. Along with operating full-service restaurants that could be perceived as value oriented, the Company operates fine dining restaurants and niche restaurants. Although Darden has a diverse portfolio, the Company has averaged a 6.8% net margin over the past 5 years. Darden operating full-service restaurants does not pose a large threat to MCD.

Yum! Brands (YUM):

Yum! Brands is a unique brand that spun off from PepsiCo in 1997 and operates four main restaurants, KFC, Pizza Hut, Taco Bell, and The Habit Burger Grill⁶. These restaurants equate to a market cap of \$36.11 billion. These restaurants each serve a completely different type of food, providing excellent diversification and a wide consumer base. KFC specializes in chicken, Taco Bell specializes in tacos, burritos and other Mexican type foods, Pizza Hut

specializes in pizza and other similar products/compliments and The Habit specializes in fast-casual burgers and sandwiches⁶. By offering four completely different menu items to consumers, Yum! Brands can reach a large portion of consumers. As well as offering a diverse mix of products, the Company operates 53,424 units as of year-end 2021, with 98% being franchised. KFC and Pizza Hut made up 45,315 of those stores. Over the past 5 years, Yum! Brands has averaged a very impressive 22.6% net margin.

Yum! Brands China (YUMC):

Yum! China was spun-off from Yum! Brands and operates predominately in China. Yum! China operates 13,000 stores and the majority are in China. Most of these stores are KFC and Pizza Hut, which the Company owns the exclusive rights to operate. The Company also operates Taco Bell and own the intellectual property to Little Sheep and Huang Ji Huang. Yum! Brands China is the largest restaurant company in China in terms of 2022 sales, and the Company plans to expand even more. This could be a negative for McDonald's because Yum! China only operates in China, a huge market. With China reopening from zero COVID, there will likely be large demand to eat outside of the home, which will greatly benefit Yum! China restaurants.

Chipotle (CMG):

Chipotle is one of the largest fast casual restaurants in the world that serves burritos, burrito bowls, tacos, quesadillas, and salads, operating a total of 2,966 restaurants²³. The Company aims to serve as a true fast casual restaurant by only serving high quality food at a reasonable price²³. Chipotle uses ingredients that are "responsibly raised," meaning there are no added growth hormones or non-therapeutic hormones, which likely appeases consumers. Along with making consumers happy with quality ingredients, Chipotle is beginning to open restaurants with "Chipotlanes." These are restaurants that have a drive-thru and allow consumers to pick up online orders from that window. This is a crucial addition because online digital orders represented 45.6% of total revenue in 2021 and continuing to serve these customers efficiently can help create brand loyalty and create more repeat customers. In 2022, 84% of consumers surveyed were aware of Chipotle by seeing the logo¹⁴.

Wendy's (WEN):

Wendy's is a quick-service chain with a market cap of \$4.76 billion that operated 7,080 restaurants as of Q3 2022. Of those 7,080, 412 were company-operated, with the rest being franchised. The Company has utilized a model called "Franchise Flips" to get to the target of only 5% company operated restaurants. Through this model, Wendy's makes strategic dispositions of company-operated restaurants and franchises them to either new franchisees or existing franchisees⁵. As of July 2022, Wendy's had the lowest customer service and order accuracy of 10 selected restaurants¹. As competition within the quick-service industry continues to become tougher, Wendy's will have to better train employees and ensure they are being friendly to customers. Wendy's operates in relatively the same space as McDonalds, serving breakfast and coffee, burgers and chicken, and they have a menu with cheaper options.

Domino's (DPZ):

Domino's is a quick-service pizza chain that operated 18,848 at the end of 2021, primarily in international markets²². Of Domino's 18,848 restaurants, 12,288, or 65% were operated internationally. The pizza chain has two primary business models, delivery and carryout, with a significant number of consumers carrying out. Like other quick-service chains, Domino's leans towards a heavily franchised base with 98% of stores operated under the franchised model. Just like nearly every other quick-service restaurant, Domino's has been investing in technological improvements to satisfy consumers. Within the United States, Domino's has been experimenting with placing orders using Apple Watches, Amazon Echo, Twitter, Facebook Messenger, and more. Along with providing multiple new avenues for ordering, Domino's is trying to change how delivery is done by using self-driving cars. If the Company was able to have continued success with this, it could vastly lower labor costs and drive demand as delivery drivers would not be needed and customers would not have to tip these drivers, lowering their bill and driving demand.

ECONOMIC OUTLOOK

Inflationary Pressures:

Inflation has been a persistent problem in the United States over the past year and it has caused the Federal Reserve (Fed) to raise rates to 450-475 bps⁴. Inflationary pressure has been seen from energy prices to the price of eggs. Commodity prices have seen dramatic increases over the last year, some of which can be blamed on continued supply chain bottlenecks. As restaurants must pay more for inputs into goods, the cost of goods increases, and margins tend to decrease. Quick-service restaurants are not able to pass these increases on to the consumer as easily due to the necessary low-cost perception many of these restaurants try to maintain. As commodities prices begin to fall, restaurants should be able to purchase goods at lower prices and improve margins. Some chains, like MCD, were able to pass price increases on to consumers. As inflation hopefully continues to fall, input prices will also continue to fall. It would be unlikely for MCD to cut these increased prices, which could improve margins.

Personal Consumption Expenditures Price Index (PCE):

Personal Consumption Expenditure Price Index is defined as personal expenditures prices excluding food and energy prices paid by consumers for goods and services¹¹. The PCE is also could be a good measure of inflation because if it is decreasing, it shows that prices are decreasing. It could also potentially mean that consumers are consuming less, causing a lower reading. In January, disposable personal income went up 0.6% from the previous month, and the PCE reading decreased 0.2%¹². When it came to just food services and accommodation, the index fell 1.04%¹³. This could mean that inflation for restaurants is coming down and they are beginning to lower prices, or consumers are beginning to stop spending on restaurants.

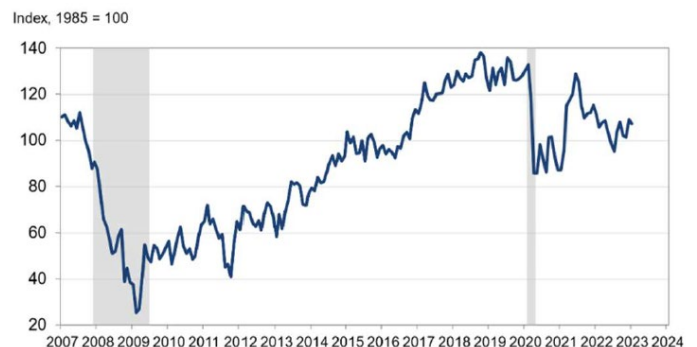
Expectations Index:

Expectations The Expectations Index is based on consumers' short-term outlook for income, business, and labor market conditions¹². In February, the reading fell 8% after falling in January. The reading in February was 69.7 compared to 76 in January. Readings below 80 often signal

a recession within the next year. Rising rates, a looming recession, and the second highest credit card debt balance since 2019¹³ could cause big problems for consumers. With credit card debt being so high and rates increasing, interest and principal payments will continue to rise for consumers, forcing them to pay that down rather than spending on discretionary items or eating away from home. These factors might cause the Expectations Index to continue to fall.

Consumer Confidence Index:

The Consumer Confidence Index helps provide an insight into consumer sentiment on the general economic outlook, unemployment, and expected financial situation¹⁰. A reading below 100 is considered to be pessimistic. In the latest reading released on February 28th, 2023, the index decreased from 106 in January to 103⁹. Although this is above 100, a falling reading is not good for the economy as it might force consumers to begin saving more. Consumers have begun to save more over the last few months. In September, the monthly personal savings rate was 2.4 and in December it was 3.4¹¹. Although this is still a very low rate compared to April 2020's 6-year high of 33.8, it could be indicating that consumers are preparing for tougher times, and they have begun to run out of stimulus money and accumulated savings from the pandemic. This could be bad for the restaurant industry because more people might opt to eat at home and decide to save money rather than eating away from home.

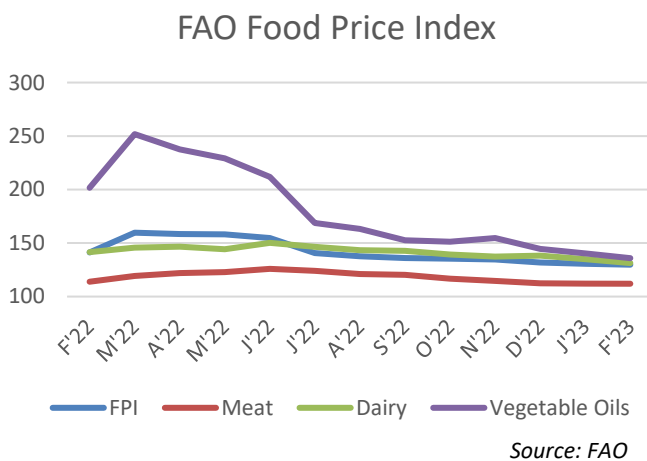


Source: Conference Board

Russia and China

Along with disrupting the world in 2022, Russia has also begun to form a stronger relationship with China. One

reason this could hurt McDonald's, and the restaurant industry, is the fact that Russia and China control much of the world's fertilizer supply. The potential fertilizer supply is seen by the UN as a key risk to food availability in 2023 and has caused the United States to begin ramping up expertise on fertilizer. If geopolitical conflicts between the West and Russia and China, fertilizer could be politicized even more. Fertilizer being politicized could be detrimental to food production due to a higher cost to import or imports from China and Russia being severely limited. Prolonged higher input costs will force restaurants continue to pay these costs and passing them down to consumers, which could hurt demand in the upcoming year.



SNAP Benefits Ending

The Supplemental Nutrition Assistance Program (SNAP) is slated to stop after February 2023³³. This assistance began in March 2020 to assist with the hardships of COVID-19. SNAP benefits allow consumers to purchase food with government assistance. These benefits were also subject to cost-of-living adjustments (COLA), which allow benefits to be increased with food inflation. Before the additional payments ended, 41 million American received the additional relief. McDonald's allows for customers to use these benefits at restaurants. With benefits expiring for 41 million lower income families, there will likely be a decrease in demand in the United States as these families might opt to eat at home to save money. As well as these benefits stopping, student loans are supposed to restart either 60 days after June 30th, or 60 days after the upcoming Supreme Court decision³⁴. Losing extra benefits

paired with resuming payments means that even less families will be able to afford visiting restaurants and will likely have to curb their spending.

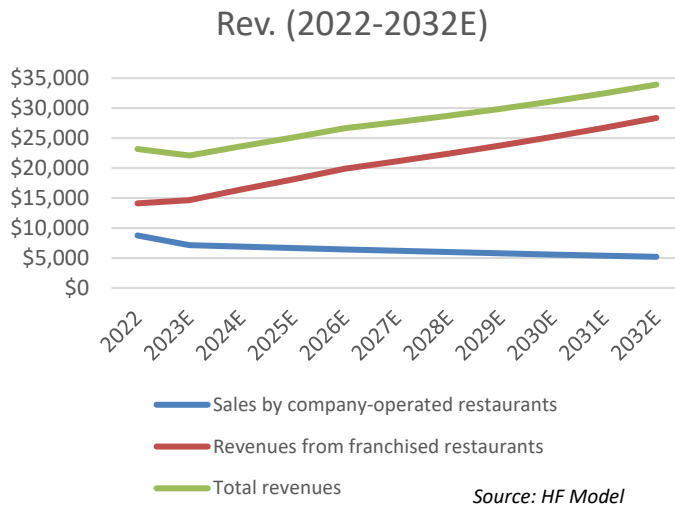
VALUATION

Revenue Assumptions

McDonald's operates two segments and is broken down into three different operating regions. The operating segments are broken into sales by company restaurants and franchise revenues. The three regions that revenues were broken down by are United States stores, Internationally Operated stores (IOM), and International Developmental Licensed Markets & Corporate stores (IDL). The Company has a goal of franchising at least 95% of restaurants, and that was a key assumption of the revenue decomposition. To forecast revenues, the average revenue per store was calculated then an assumption of revenue growth was attached to that figure for the upcoming years. Using these assumptions, the total number of stores was multiplied by the revenue per store to get the revenue of each segment in each region. Due to McDonald's strategy of shifting towards a heavily franchised strategy, the company owned stores was projected to fall by 2% each year and McDonald's has reached 95% franchised in 2022. Franchised stores were projected to grow 6% in the United States, 5% in IOM stores, and 5% in IDL stores in 2023. Growth is expected to taper off after the first year and reach a constant growth of 2% in 2027-2032 in each segment.

Revenues growth in company owned stores were projected to fall by -0.50% and revenue growth from franchises are expected to grow by 5% in 2023 then increase to 5.5% growth in 2025. A constant growth of 4.5% is reached in 2027. As McDonald's continues to focus on franchised stores, it is a reasonable assumption that the focus will be on growing franchised stores revenues, especially with franchises having higher margins. Rents, royalties, and initial fees will also drive higher franchise revenues. As the Company can charge higher rent as the cost of rent goes up, it will drive more rent revenue. More franchise stores will lead to more revenues and more royalties to the Company. The same logic applies to initial fees. As McDonald's place more focus on franchise stores,

company operated stores will begin to fall behind in revenue growing efforts, leading to the assumption of a negative revenue growth. Other revenues are not expected to be a large factor for the Company and a growth rate of 1.41% was attached for growth.

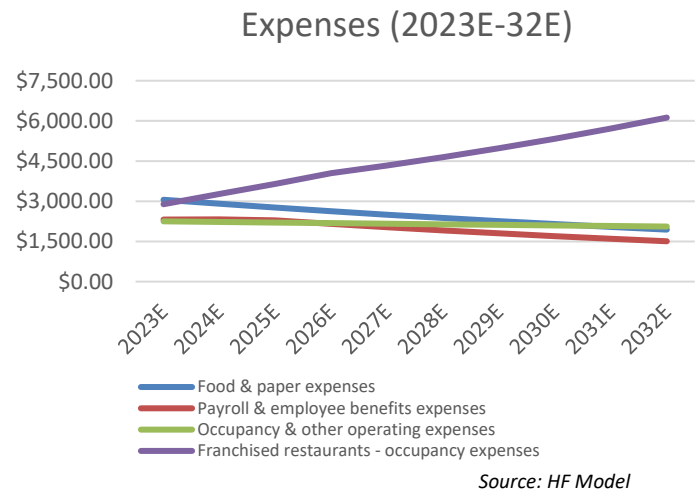


Cost Assumptions

McDonald's has four main operating expenses reported, food and paper, payroll and employee benefits, occupancy and other, and franchised costs. The first three expenses are related to company stores, with franchised costs relating to franchises. Over the past seven years, these costs have averaged 32.10%, 27.85%, 23.29%, and 18.54% of segment revenues respectively. These expenses were forecasted as a percentage of segment sales and were largely similar to the averages. Food and paper expense was forecasted as higher in the next year as food inflation could remain elevated compared to the past, then projected to decline as company operated stores are expected to go down. Payroll and employee benefits were forecasted to rise over the next three years due to the potential California FAST Act and related wage concerns.

Another reason these costs were forecasted to rise is the possibility of employees being paid benefits/severance if they were to be laid off due to company stores closing. Occupancy and other costs were forecast to be above average as land will likely become more expensive and if leases have escalation clauses, then the expense will be higher. The Company prefers to own the land that franchise stores sit on, but the ownership is not 100%.

Franchises costs were forecasted to be higher than average due to inflation and an increase of the number of franchised stores. The Company will likely incur more expenses as a result but might be able to pass these costs on to the franchisees, but that is dependent on the contracts.



WACC

The weighted average cost of capital (WACC) that was calculated for McDonald's was 7.47%. The assumptions used were a risk-free rate of 4.17%, a beta of 0.73, and an equity risk premium of 5.5%. This led to a cost of equity of 8.19%. The risk-free rate of interest that was used was the yield-to-maturity (YTM) of a 20-year treasury bond. The market value of equity was calculated to be \$199,293.53. The pre-tax cost of debt was estimated to be 4.60%, which was the yield-to-maturity of an issued bond with a 22-year maturity. The after-tax cost was calculated to be 3.59%. In 2022, McDonald's only had long-term debt and operating leases that equaled up to \$48,643.60.

Discounted Cash Flow & Economic Profit

The key inputs for the discounted cash flow (DCF) model were CV Growth of NOPLAT at 3%, CV Year ROIC of 29.84%, a WACC of 7.47%, and a cost of equity of 8.19%. The 3% growth of NOPLAT was derived under the assumption that it is about what the economy has historically grown in the United States, and because of the exposure that

McDonald's has internationally can hedge a U.S slowdown. The ROIC was calculated by taking the CV year NOPLAT and dividing it by the beginning invested capital. The cost of equity was calculated by using the CAPM and, the cost of equity was calculated to be 8.19%.

To find the stock price, the free cash flows from 2023-2031 and the CV of \$336,481.25 were discounted by the WACC to the present day. Discounting the CV and free cash flows calculated to a value of operating assets of \$242,897.25. After adjusting for non-operating assets of debt, employee stock options (ESOP), investments and advances to affiliates, and normal cash, the value of equity was found to be \$197,015.77. After dividing this value by the number of shares outstanding (744.80), the price as of last fiscal year end was calculated to be \$235.31. When making the partial year adjustment, the price was found to be \$269.11, representing an upside of 1.4%.

DDM

The dividend discount model yielded a price of \$220.18. This price was not factored into the target price. The DDM assumed a healthy dividend growth of 5% yearly and 3% growth of EPS. The ROE assumption used was 47.29% This is a fair growth assumption due to the restaurant industry being so mature and growing with the economy.

Relative Valuations

When using the P/E ratio for 2023 and 2024, MCD has a relative price of \$239 and \$228, respectively. The peer group was the same peer group in the competitor's section. The average 2023 P/E of the group was 26.36 and the average 2024 P/E was 22.26. The P/E of \$239 was not used as a price target as we believe this is not a fair price to for McDonald's. This price indicates that McDonald's is overvalued, but we felt this was too undervalued. A multiple that was also tested was the EV/EBITDA multiple. The average of the peer set was 18.35, after multiplying this by McDonald's EBITDA then subtracting debt and dividing by shares, the price was found to be \$230. This

was not used in the price target because it appears to be too low of a valuation for McDonald's.

Summary

We believe that McDonald's leaves little upside over the next 6-12 months for the Henry Fund. With a target price between \$265 and \$280, McDonald's does not currently provide a sufficient return for the risks. McDonald's is one of the world's most recognizable brands and will likely have success in the long run, but there are too many headwinds in the short-term. We believe that McDonald's will be able to continue to grow revenues as more focus is given to growing franchise revenues. Focusing on franchise growth while putting less emphasis on company owned stores will provide more predictable revenues while raising margins. The restaurant industry is incredibly competitive and with a looming recession paired with rising food costs, there are likely better opportunities in the market in the next 6-12 months.

KEYS TO MONITOR

Headwinds

- Operating in an incredibly competitive and saturated market will require McDonald's to continue maintaining customers via loyalty rewards, customized regional menus, and low prices.
- McDonald's operates in an industry that has been seeing an increase in sales, but the industry is shrinking and the increase in sales is from higher menu prices.

Tailwinds

- If the Russia Ukraine conflict gets resolved and food prices continue to fall, restaurants could still charge higher prices while improving margins.
- Adoption of technology might require additional capital expenditures but will likely increase margins and profits for companies that utilize the technology.

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McDonald's

Revenue Decomposition

Fiscal Years Ending Dec. 31	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Sales by company-operated restaurants	9,420.80	8,139.20	9,787.40	8,748.00	7,531.22	7,407.39	7,285.59	7,165.80	7,047.98	6,932.09	6,818.11	6,706.00	6,595.74	6,487.29
Growth Rate	-5.91%	-13.60%	20.25%	-10.62%	-13.91%	-1.64%	-1.64%	-1.64%	-1.64%	-1.64%	-1.64%	-1.64%	-1.64%	-1.64%
Revenues from franchised restaurants	11,655.70	10,726.10	13,085.40	14,106.00	14,351.24	15,991.30	17,648.08	19,479.46	20,763.15	22,131.44	23,589.91	25,144.48	26,801.50	28,567.72
Growth Rate	5.84%	-7.98%	22.00%	7.80%	1.74%	11.43%	10.36%	10.38%	6.59%	6.59%	6.59%	6.59%	6.59%	6.59%
Other revenues	287.90	342.50	350.10	329.00	333.63	338.33	343.09	347.92	352.81	357.78	362.81	367.92	373.10	378.35
Growth Rate	18.96%	2.22%	-6.03%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%
Total revenues	21,364.40	19,207.80	23,222.90	23,183.00	22,216.09	23,737.01	25,276.76	26,993.17	28,163.94	29,421.31	30,770.83	32,218.40	33,770.34	35,433.36
Revenue Growth	1.61%	-10.09%	20.90%	-0.17%	-4.17%	6.85%	6.49%	6.79%	4.34%	4.46%	4.59%	4.70%	4.82%	4.92%
U.S. Franchised	13,185	13,025	12,775	12,751	13,516	14,259	14,830	15,201	15,505	15,815	16,131	16,454	16,783	17,118
IOM Franchised	8,787	8,841	9,020	9,006	9,456	9,953	10,500	11,130	11,353	11,580	11,811	12,048	12,289	12,534
IDL Franchised	14,087	14,655	15,500	16,412	17,233	18,353	19,408	20,475	20,885	21,303	21,729	22,163	22,607	23,059
Total Franchised	36,059	36,521	37,295	38,169	40,205	42,565	44,738	46,806	47,742	48,697	49,671	50,665	51,678	52,711
Total Company Operated	2,636	2,677	2,736	2,106	2,082	2,058	2,034	2,011	1,988	1,965	1,942	1,920	1,898	1,876
U.S. Company Operated	661	657	663	693	685	677	669	662	654	647	639	632	624	617
IOM Company Operated	1,678	1,719	1,765	1,097	1,084	1,072	1,060	1,047	1,035	1,023	1,012	1,000	989	977
IDL Company Operated	297	301	308	316	312	309	305	302	298	295	291	288	285	281
	3.57	3.04	3.58	4.15	3.62	3.60	3.58	3.56	3.55	3.53	3.51	3.49	3.48	3.46
Total Restaurants	38,695	39,198	40,031	40,275	42,287	44,623	46,772	48,817	49,730	50,662	51,613	52,584	53,576	54,587
Total Restaurant Growth	3.34%	1.30%	2.13%	0.61%	5.00%	5.52%	4.82%	4.37%	1.87%	1.87%	1.88%	1.88%	1.88%	1.89%
% Franchised	93.19%	93.17%	93.17%	94.77%	95.08%	95.39%	95.65%	95.88%	96.00%	96.12%	96.24%	96.35%	96.46%	96.56%
% Company Operated	6.81%	6.83%	6.83%	5.23%	4.92%	4.61%	4.35%	4.12%	4.00%	3.88%	3.76%	3.65%	3.54%	3.44%

McDonalds
Value Driver Estimation

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
NOPLAT:	6494.68	9038.60	7620.70	8637.49	9744.26	10707.82	11754.64	12479.75	13196.36	14016.43	14884.34	15803.31	16776.75
NOPLAT Growth	-17.08%	39.17%	-15.69%	13.34%	12.81%	9.89%	9.78%	6.17%	5.74%	6.21%	6.19%	6.17%	6.16%
EBIT													
Sales by company-operated restaurants	8139.20	9787.40	8748.40	7531.22	7407.39	7285.59	7165.80	7047.98	6932.09	6818.11	6706.00	6595.74	6487.29
Add: Revenues from franchised restaurants	10726.10	13085.40	14105.80	14351.24	15991.30	17648.08	19479.46	20763.15	22131.44	23589.91	25144.48	26801.50	28567.72
Add: Other revenue	342.50	350.10	328.40	350.10	350.10	350.10	350.10	350.10	350.10	350.10	350.10	350.10	350.10
Less: Other operating expense (income), net	(117.50)	(483.30)	973.60	(466.54)	(524.59)	(631.92)	(607.35)	(619.61)	(588.43)	(615.42)	(644.37)	(675.41)	(708.67)
Less: Food & paper expenses	2564.20	3096.80	2737.30	2485.30	2413.88	2344.52	2277.14	2211.70	2148.15	2086.41	2026.46	1968.22	1911.66
Less: Payroll & employee benefits expenses	2416.40	2677.20	2617.40	1882.81	1925.92	1930.68	1853.36	1779.14	1707.89	1639.49	1573.83	1510.80	1450.30
Less: Occupancy & other operating expenses	2000.60	2273.30	2026.20	2099.62	1798.46	1760.04	1722.45	1685.65	1649.65	1614.41	1579.93	1546.18	1513.15
Less: Franchised restaurants - occupancy expenses	2207.50	2335.00	2349.70	2942.00	3311.00	3690.58	4114.29	4429.27	4768.38	5133.44	5526.45	5949.55	6405.04
Less: Other restaurant expenses	267.00	260.40	245.00	245.74	232.16	244.49	256.56	269.93	277.41	285.39	293.86	302.85	312.38
Less: Depreciation & amortization expenses	1751.40	1868.10	1870.60	1590.40	1641.72	1693.55	1745.95	1798.99	1852.72	1907.22	1962.52	2018.71	2075.81
Less: Other selling, general & administrative expenses	493.60	509.70	621.60	660.76	702.39	746.64	793.68	843.68	896.83	953.33	1013.39	1077.23	1145.10
Add: Implied lease interest	636.07	623.39	578.02	578.02	596.67	615.51	634.55	653.83	673.36	693.17	713.27	733.69	754.44
Total EBIT	8260.67	11309.09	10319.22	11370.49	12844.52	14120.71	15473.83	16416.30	17374.39	18447.01	19581.78	20782.89	22054.77
Adjusted Taxes													
Provision for income taxes	1410.20	1582.70	1648.00	2540.41	2885.46	3183.56	3499.81	3718.66	3941.12	4190.62	4454.76	4734.50	5030.90
Add: Implied lease interest	147.57	147.74	136.99	136.99	141.41	145.88	150.39	154.96	159.59	164.28	169.04	173.88	178.80
Add: Tax shield on interest expense	282.60	281.03	286.06	169.54	201.96	238.38	219.04	216.88	224.94	230.77	236.73	242.83	249.08
Less: Tax on sale of restaurant	5.41	22.89	(14.22)	(14.31)	(14.41)	(14.50)	(14.60)	(14.69)	(14.79)	(14.89)	(14.98)	(15.08)	(15.18)
Less: Tax on non-operating income	8.07	(10.03)	(10.03)	(10.13)	(10.24)	(10.35)	(10.46)	(10.58)	(10.69)	(10.80)	(10.92)	(11.04)	(11.16)
Add: Other operating expense/(income)	(27.26)	(114.54)	230.74	(110.57)	(124.33)	(149.76)	(143.94)	(146.85)	(139.46)	(145.85)	(152.72)	(160.07)	(167.95)
Less: Equity in earnings (losses) of unconsolidated affiliates	27.24	41.88	(26.78)	27.82	28.89	30.01	31.17	32.38	33.63	34.93	36.29	37.69	39.15
Total Adjusted Taxes	1772.39	1842.19	2352.82	2733.00	3100.26	3412.90	3719.19	3936.54	4178.04	4430.58	4697.43	4979.58	5278.02
Total Change in Net Deferred Taxes	6.40	(428.30)	(345.70)	0.00									
Invested Capital (IC):	41294.74	41347.42	40284.56	41888.44	43297.35	44755.21	46354.45	47403.46	48839.74	49939.66	51439.14	52977.54	54557.27
Operating Current Assets:													
Normal Cash	791.14	956.52	954.86	915.05	977.70	1041.12	1111.81	1160.04	1211.82	1267.41	1327.03	1390.96	1459.45
Accounts & notes receivable	2110.30	1872.40	2115.00	1999.45	2314.36	2654.06	3036.73	2816.39	2795.02	2461.67	2577.47	2701.63	2834.67
Prepaid expenses & other current assets	632.70	511.30	673.40	555.40	640.90	758.30	607.35	563.28	588.43	615.42	644.37	675.41	708.67
Inventories, at cost, not in excess of market	51.10	55.60	52.00	55.54	59.34	63.19	67.48	70.41	73.55	73.74	73.93	74.12	74.31
Total Operating CA	3585.24	3395.82	3795.26	3525.44	3992.30	4516.67	4823.37	4610.12	4668.83	4418.23	4622.81	4842.11	5077.10
Operating Current Liabilities:													
Accounts payable	741.30	1006.80	980.20	999.72	1174.98	1276.48	1214.69	1126.56	1132.72	1184.68	1240.41	1300.16	1364.18
Income taxes	741.10	360.70	274.90	368.36	418.39	461.62	507.47	539.21	571.46	607.64	645.94	686.50	729.48
Other taxes	227.00	236.70	255.10	233.27	249.24	278.04	310.42	337.97	308.92	323.09	338.29	354.59	372.05
Accrued payroll & other liabilities	1138.30	1347.00	1237.40	321.92	298.25	372.16	337.34	320.29	327.45	331.06	339.62	348.37	357.34
Total Operating CL	2847.70	2951.20	2747.60	1923.27	2140.87	2388.30	2369.93	2324.02	2340.55	2446.47	2564.26	2689.62	2823.05
TOTAL Net Operating WC	737.54	444.62	1047.66	1602.17	1851.43	2128.37	2453.44	2286.10	2328.27	1971.76	2058.55	2152.49	2254.05
Net property & equipment	24958.20	24720.60	23773.60	24540.70	25315.41	26098.71	26891.54	27694.79	28509.36	29336.12	30175.92	31029.60	31897.98
Net Other Operating Assets													
Miscellaneous	3527.40	4449.50	4707.20	4609.84	4747.40	4928.97	5196.19	5351.15	5590.05	5846.46	6121.50	6416.36	6732.34
Lease right-of-use asset, net	13827.70	13552.00	12565.70	12971.15	13380.64	13794.66	14213.71	14638.27	15068.82	15505.81	15949.69	16400.91	16859.90
TOTAL Net Other Operating Assets	17355.10	18001.50	17272.90	17580.99	18128.04	18723.62	19409.89	19989.42	20658.87	21352.27	22071.19	22817.28	23592.24
Net Other Operating Liabilities													
Deferred revenues - initial franchise fees	702.00	738.30	757.80	722.02	818.93	947.88	1079.73	1168.80	1176.85	1153.91	1208.19	1266.39	1328.75
Other long-term liabilities	1054.10	1081.00	1051.80	1113.40	1178.60	1247.63	1320.69	1398.04	1479.91	1566.58	1658.33	1755.45	1858.26
TOTAL Net Other Operating Liabilities	1756.10	1819.30	1809.60	1835.42	1997.53	2195.51	2400.42	2566.84	2656.77	2720.49	2866.52	3021.84	3187.01
Free Cash Flow (FCF):													
NOPLAT	6494.68	9038.60	7620.70	8637.49	9744.26	10707.82	11754.64	12479.75	13196.36	14016.43	14884.34	15803.31	16776.75
Change in IC	1993.47	52.68	(1062.86)	1603.88	1408.91	1457.86	1599.24	1049.01	1436.28	1099.92	1499.48	1538.39	1579.73
FCF	4501.21	8985.93	8683.56	7033.61	8335.35	9249.96	10155.40	11430.74	11760.08	12916.51	13384.86	14264.92	15197.02
Return on Invested Capital (ROIC):													
NOPLAT	6494.68	9038.60	7620.70	8637.49	9744.26	10707.82	11754.64	12479.75	13196.36	14016.43	14884.34	15803.31	16776.75
Beginning IC	39301.27	41294.74	41347.42	40284.56	41888.44	43297.35	44755.21	46354.45	47403.46	48839.74	49939.66	51439.14	52977.54
ROIC	16.53%	21.89%	18.43%	21.44%	23.26%	24.73%	26.26%	26.92%	27.84%	28.70%	29.80%	30.72%	31.67%
Economic Profit (EP):													
Beginning IC	39301.27	41294.74	41347.42	40284.56	41888.44	43297.35	44755.21	46354.45	47403.46	48839.74	49939.66	51439.14	52977.54
x (ROIC - WACC)	9.04%	14.40%	10.95%	13.96%	15.78%	17.25%	18.78%	19.44%	20.35%	21.21%	22.32%	23.24%	24.18%
EP	3553.14	5947.85	4526.01	5622.35	6609.08	7467.18	8404.89	9010.31	9648.40	10360.97	11146.56	11953.29	12811.59

McDonalds
Income Statement

<i>Fiscal Years Ending Dec. 31</i>	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Sales by company-operated restaurants	8,139.2	9,787.4	8,748.40	7,226.49	7,071.95	6,920.72	6,772.72	6,627.88	6,486.15	6,347.44	6,211.70	6,078.86	5,948.87
Revenues from franchised restaurants	10,726.1	13,085.4	14,105.80	14,487.92	16,220.29	17,900.80	19,758.39	21,060.47	22,448.36	23,927.70	25,504.54	27,185.29	28,976.80
Other revenues	342.5	350.1	328.40	350.10	350.10	350.10	350.10	350.10	350.10	350.10	350.10	350.10	350.10
Total revenues	19,207.8	23,222.9	23,182.6	22,048.0	23,630.6	25,164.6	26,879.0	28,041.2	29,292.3	30,638.0	32,084.2	33,637.2	35,304.0
Revneue Growth	-10.1%	20.9%	-0.2%	-4.9%	7.2%	6.5%	6.8%	4.3%	4.5%	4.6%	4.7%	4.8%	5.0%
Food & paper expenses	2,564.2	3,096.8	2,737.3	2,384.74	2,304.57	2,227.10	2,152.23	2,079.87	2,009.95	1,942.38	1,877.09	1,813.98	1,753.00
Payroll & employee benefits expenses	2,416.4	2,677.2	2,617.4	1,806.62	1,838.71	1,833.99	1,751.70	1,673.09	1,598.02	1,526.31	1,457.82	1,392.41	1,329.93
Occupancy & other operating expenses	2,000.6	2,273.3	2,026.2	2,099.62	1,725.69	1,680.34	1,636.18	1,593.19	1,551.32	1,510.55	1,470.86	1,432.21	1,394.57
Franchised restaurants - occupancy expenses	2,207.5	2,335.0	2,349.7	2,970.02	3,358.41	3,743.42	4,173.20	4,492.70	4,836.66	5,206.95	5,605.59	6,034.74	6,496.76
Other restaurant expenses	267.0	260.4	245.0	245.74	230.40	243.39	255.42	268.79	276.21	284.14	292.59	301.59	311.14
Depreciation & amortization expenses	1,751.4	1,868.1	1,870.6	1,590.40	1,641.72	1,693.55	1,745.95	1,798.99	1,852.72	1,907.22	1,962.52	2,018.71	2,075.81
Other selling, general & administrative expenses	493.6	509.7	621.6	660.76	702.39	746.64	793.68	843.68	896.83	953.33	1,013.39	1,077.23	1,145.10
Gains on sales of restaurant businesses	23.3	96.6	(60.0)	(60.39)	(60.79)	(61.19)	(61.59)	(61.99)	(62.40)	(62.81)	(63.22)	(63.64)	(64.05)
Equity in earnings (losses) of unconsolidated affiliates	117.4	176.7	(113.0)	117.37	121.92	126.63	131.53	136.62	141.91	147.40	153.11	159.03	165.19
Asset dispositions & other expense (income), net	290.7	75.4	137.0	-	-	-	-	-	-	-	-	-	-
Impairment & other charges (gains), net	(267.5)	(285.4)	1,010.0	-	-	-	-	-	-	-	-	-	-
Other operating expense (income), net	(117.5)	(483.3)	973.6	(463.01)	(522.24)	(629.12)	(604.78)	(616.91)	(585.85)	(612.76)	(641.68)	(672.74)	(706.08)
Total operating costs & expenses	11,883.8	12,866.9	13,812.0	11,351.87	11,340.78	11,604.76	11,973.52	12,208.04	12,515.38	12,802.72	13,128.07	13,493.53	13,901.38
Operating income	7,324.0	10,356.0	9,371.0	10,696.2	12,289.8	13,559.8	14,905.5	15,833.1	16,776.9	17,835.2	18,956.1	20,143.7	21,402.6
Interest expense-net	1,218.1	1,185.8	1,207.0	715.37	852.15	1,005.84	924.23	915.12	949.12	973.72	998.87	1,024.62	1,050.99
Income before provision for income taxes	6,140.7	9,127.9	7,825.4	9,980.79	11,437.64	12,554.01	13,981.27	14,918.01	15,827.78	16,861.52	17,957.22	19,119.10	20,351.65
Provision for income taxes	1,410.2	1,582.7	1,648.0	2,534.99	2,912.68	3,213.68	3,532.60	3,752.45	3,976.13	4,226.95	4,492.59	4,774.06	5,072.43
Net income	4,730.5	7,545.2	6,177.4	6,730.43	7,672.80	8,334.49	9,524.43	10,250.44	10,902.53	11,660.86	12,465.76	13,320.43	14,228.23
Year end shares outstanding	745.40	744.80	741.30	743.41	740.58	737.83	735.14	732.51	729.92	727.29	724.71	722.19	719.74
Net earnings (loss) per common share - basic	6.35	10.11	8.33	9.05	10.36	11.30	12.96	13.99	14.94	16.03	17.20	18.44	19.77
Dividends declared per common share	5.04	5.25	5.25	5.62	5.90	6.19	6.50	6.83	7.17	7.53	7.90	8.30	8.71

McDonalds
Balance Sheet

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Cash & equivalents	3,449.10	4,709.20	2,583.80	5,462.95	10,877.21	17,217.46	19,060.92	22,792.51	27,816.83	33,083.48	39,171.07	45,843.18	53,138.91
Accounts & notes receivable	2,110.30	1,872.40	2,115.00	1,984.32	2,303.98	2,642.28	3,023.89	2,804.12	2,782.77	2,451.04	2,566.73	2,690.98	2,824.32
Inventories, at cost, not in excess of market	51.10	55.60	52.00	55.12	59.08	62.91	67.20	70.10	73.23	73.42	73.61	73.80	73.99
Prepaid expenses & other current assets	632.70	511.30	673.40	551.20	638.03	754.94	604.78	560.82	585.85	612.76	641.68	672.74	706.08
Total current assets	6,243.20	7,148.50	5,424.20	8,053.59	13,878.29	20,677.59	22,756.79	26,227.56	31,258.67	36,220.70	42,453.10	49,280.70	56,743.30
Investments in & advances to affiliates	1,297.20	1,201.20	1,064.50	1,105.59	1,148.27	1,192.59	1,238.62	1,286.43	1,336.09	1,387.66	1,441.23	1,496.86	1,554.64
Goodwill	2,773.10	2,782.50	2,900.40	2,900.40	2,900.40	2,900.40	2,900.40	2,900.40	2,900.40	2,900.40	2,900.40	2,900.40	2,900.40
Miscellaneous	3,527.40	4,449.50	4,707.20	4,574.97	4,726.11	4,907.10	5,174.21	5,327.82	5,565.53	5,821.21	6,095.99	6,391.08	6,707.76
Total other assets	7,597.70	8,433.20	8,672.10	8,580.96	8,774.78	9,000.09	9,313.24	9,514.66	9,802.02	10,109.27	10,437.62	10,788.33	11,162.80
Lease right-of-use asset, net	13,827.70	13,552.00	12,565.70	12,971.15	13,380.64	13,794.66	14,213.71	14,638.27	15,068.82	15,505.81	15,949.69	16,400.91	16,859.90
Property & equipment, at cost	41,476.50	41,916.60	41,037.60	43,395.10	45,811.54	48,288.39	50,827.16	53,429.39	56,096.69	58,830.67	61,632.99	64,505.38	67,449.57
Accumulated depreciation & amortization	16,518.30	17,196.00	17,264.00	18,854.40	20,496.12	22,189.67	23,935.62	25,734.61	27,587.33	29,494.54	31,457.07	33,475.77	35,551.59
Net property & equipment	24,958.20	24,720.60	23,773.60	24,540.70	25,315.41	26,098.71	26,891.54	27,694.79	28,509.36	29,336.12	30,175.92	31,029.60	31,897.98
Total assets	52,626.80	53,854.30	50,435.60	54,146.40	61,349.12	69,571.05	73,175.26	78,075.27	84,638.87	91,171.90	99,016.33	107,499.55	116,663.98
Accounts payable	741.30	1,006.80	980.20	992.16	1,169.71	1,270.81	1,209.56	1,121.65	1,127.75	1,179.56	1,235.24	1,295.03	1,359.20
Lease liability	701.50	705.50	661.10	661.53	715.86	758.71	810.18	856.34	896.59	922.60	949.01	975.85	1,003.16
Income taxes	741.10	360.70	274.90	367.57	422.34	465.98	512.23	544.11	576.54	612.91	651.43	692.24	735.50
Other taxes	227.00	236.70	255.10	231.50	248.12	276.81	309.11	336.49	307.57	321.70	336.88	353.19	370.69
Accrued interest	388.40	363.30	393.40	321.92	298.25	372.16	337.34	320.29	327.45	331.06	339.62	348.37	357.34
Accrued payroll & other liabilities	1,138.30	1,347.00	1,237.40	1,300.83	1,406.02	1,547.62	1,612.74	1,640.41	1,611.08	1,531.90	1,604.21	1,681.86	1,765.20
Current maturities of long-term debt	2,243.60	-	-	1,250.70	3,709.20	6,538.50	4,235.30	3,503.70	3704.97	3704.97	3704.97	3704.97	3704.97
Total current liabilities	6,181.20	4,020.00	3,802.10	5,126.22	7,969.51	11,230.60	9,026.46	8,322.99	8,551.94	8,604.69	8,821.35	9,051.52	9,296.07
Long-term debt	35,196.80	35,622.70	35,903.50	36,375.99	37,904.76	39,531.84	41,019.28	41,843.93	43,073.10	43,992.57	45,448.14	46,955.75	48,518.59
Long-term lease liability	13,321.30	13,020.90	12,134.40	12,525.94	12,921.36	13,321.17	13,725.84	14,135.83	14,551.60	14,973.59	15,402.24	15,837.97	16,281.21
Long-term income taxes	1,970.70	1,896.80	791.90	593.93	445.44	334.08	250.56	187.92	140.94	105.71	79.28	59.46	44.59
Deferred revenues - initial franchise fees	702.00	738.30	757.80	716.56	815.25	943.67	1,075.16	1,163.71	1,171.69	1,148.92	1,203.16	1,261.40	1,323.90
Other long-term liabilities	1,054.10	1,081.00	1,051.80	1,113.40	1,178.60	1,247.63	1,320.69	1,398.04	1,479.91	1,566.58	1,658.33	1,755.45	1,858.26
Deferred income taxes	2,025.60	2,075.60	1,997.50	1,997.52	1,997.49	1,996.87	1,997.44	1,997.44	1,997.44	1,997.44	1,997.44	1,997.44	1,997.44
Total long-term debt	54,270.37	54,435.26	52,636.32	53,323.33	55,262.91	57,375.26	59,388.97	60,726.86	62,414.69	63,784.82	65,788.59	67,867.47	70,023.99
Common stock	7,920.20	8,248.20	8,563.70	8,584.70	8,605.69	8,626.69	8,647.69	8,668.68	8,685.48	8,685.48	8,685.48	8,685.48	8,685.48
Retained earnings	53,908.10	57,534.70	59,543.90	62,098.24	65,402.82	69,167.73	73,911.61	79,160.39	84,829.75	91,015.61	97,752.98	105,079.47	113,035.50
Accumulated other comprehensive income (loss)	(2,586.80)	(2,573.70)	(2,486.60)	(2,486.60)	(2,486.60)	(2,486.60)	(2,486.60)	(2,486.60)	(2,486.60)	(2,486.60)	(2,486.60)	(2,486.60)	(2,486.60)
Common stock in treasury	67,066.40	67,810.20	71,624.40	72,499.49	73,405.21	74,342.63	75,312.86	76,317.05	77,356.39	78,432.10	79,545.46	80,697.79	81,890.45
Total shareholders' equity (deficit)	(7,824.90)	(4,601.00)	(6,003.40)	(4,303.15)	(1,883.30)	965.19	4,759.83	9,025.42	13,672.25	18,782.39	24,406.40	30,580.56	37,343.93

McDonalds
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2015	2016	2017	2018	2019	2020	2021	2022
Net income	4,529.30	4,686.50	5,192.30	5,924.30	6,025.40	4,730.50	7,545.20	6,177.40
Depreciation & amortization	1,555.70	1,516.50	1,363.40	1,482.00	1,617.90	1,751.40	1,868.10	1,870.60
Deferred income taxes	(1.40)	(538.60)	(36.40)	102.60	149.70	6.40	(428.30)	(345.70)
Share-based compensation	110.00	131.30	117.50	125.10	109.60	92.40	139.20	166.70
Net loss (gain) on sale of restaurant businesses	-	-	(1,155.80)	(308.80)	(128.20)	(28.20)	(97.80)	732.70
Other adjustments	177.60	96.90	1,050.70	114.20	49.20	(75.20)	(339.10)	(264.10)
Accounts receivable	(180.60)	(159.00)	(340.70)	(479.40)	27.00	(6.80)	309.90	(264.10)
Inventories, prepaid expenses & other current assets	44.90	28.10	(37.30)	(1.90)	128.80	(68.60)	(62.20)	5.60
Accounts payable	(15.00)	89.80	(59.70)	129.40	(26.80)	(137.50)	225.00	31.30
Income taxes	(64.40)	169.70	(396.40)	(33.40)	173.40	(43.60)	(302.50)	(546.70)
Other accrued liabilities	383.00	38.40	(146.40)	(87.40)	(3.90)	44.40	284.00	129.30
Net cash flows from operating activities	6,539.10	6,059.60	5,551.20	6,966.70	8,122.10	6,265.20	9,141.50	7,386.70
Capital expenditures	(1,813.90)	(1,821.10)	(1,853.70)	(2,741.70)	(2,393.70)	(1,640.80)	(2,040.00)	(1,899.20)
Purchases of restaurant & other businesses	(140.60)	(109.50)	(77.00)	(101.70)	(540.90)	(66.10)	(374.20)	(807.00)
Sales of restaurant businesses	-	975.60	974.80	530.80	340.80	76.30	196.20	445.90
Sales of property	-	82.90	166.80	160.40	151.20	27.40	106.20	38.90
Other investing activities	(19.70)	(109.50)	(245.90)	(302.90)	(628.50)	57.40	(53.90)	(456.70)
Net cash flows from investing activities	(1,420.00)	(981.60)	562.00	(2,455.10)	(3,071.10)	(1,545.80)	(2,165.70)	(2,678.10)
Net short-term borrowings (repayments)	589.70	(286.20)	(1,050.30)	95.90	799.20	(893.10)	15.10	25.50
Long-term financing issuances	10,220.00	3,779.50	4,727.50	3,794.50	4,499.00	5,543.00	1,154.40	3,374.50
Long-term financing repayments	(1,054.50)	(822.90)	(1,649.40)	(1,759.60)	(2,061.90)	(2,411.70)	(2,240.00)	(2,202.40)
Treasury stock purchases	(6,099.20)	(11,171.00)	(4,685.70)	(5,207.70)	(4,976.20)	(907.80)	(845.50)	(3,896.00)
Common stock dividends	(3,230.30)	(3,058.20)	(3,089.20)	(3,255.90)	(3,581.90)	(3,752.90)	(3,918.60)	(4,168.20)
Proceeds from stock option exercises	317.20	299.40	456.80	403.20	350.50	295.50	285.70	248.20
Other financing activities	(58.70)	(3.00)	(20.50)	(20.00)	(23.50)	(122.00)	(46.70)	38.20
Net cash flows from financing activities	735.30	(11,262.40)	(5,310.80)	(5,949.60)	(4,994.80)	(2,249.00)	(5,595.60)	(6,580.20)
Effect of exchange rates on cash & cash equivalents	(246.80)	(103.70)	264.00	(159.80)	(23.70)	80.20	(120.10)	(253.80)
Cash & equivalents increase (decrease)	5,607.60	(6,288.10)	1,066.40	(1,597.80)	32.50	2,550.60	1,260.10	(2,125.40)
Cash & equivalents at beginning of year	2,077.90	7,685.50	1,223.40	2,463.80	866.00	898.50	3,449.10	4,709.20
Cash & equivalents at end of year	7,685.50	1,223.40	2,463.80	866.00	898.50	3,449.10	4,709.20	2,583.80

McDonalds
Forecasted Cash Flow Statement

<i>Fiscal Years Ending Dec. 31</i>	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Net income	6,747.87	7,585.18	8,237.51	9,418.87	10,141.65	10,789.84	11,543.90	12,343.95	13,193.07	14,094.56
Depreciation & amortization	1590.40	1641.72	1693.55	1745.95	1798.99	1852.72	1907.22	1962.52	2018.71	2075.81
Accounts receivable	115.55	-314.91	-339.70	-382.67	220.34	21.37	333.36	-115.81	-124.15	-133.04
Inventories	-3.54	-3.80	-3.85	-4.29	-2.93	-3.14	-0.19	-0.19	-0.19	-0.19
Prepaid expenses	118.00	-85.50	-117.40	150.96	44.07	-25.15	-26.99	-28.95	-31.04	-33.26
Accounts payable	19.52	175.26	101.49	-61.78	-88.14	6.16	51.96	55.73	59.75	64.03
Income taxes	93.46	50.03	43.22	45.86	31.73	32.26	36.18	38.30	40.56	42.98
Other accrued liabilities	73.35	101.60	142.17	65.07	28.00	-29.42	-79.63	72.38	77.60	83.15
Miscellaneous	97.36	-137.56	-181.57	-267.22	-154.96	-238.90	-256.41	-275.04	-294.87	-315.97
Deferred revenueue	0.02	-0.03	-0.63	0.57	0.00	0.00	0.00	0.00	0.00	0.00
Deferred income taxes	-35.78	96.90	128.95	131.85	89.08	8.05	-22.95	54.28	58.20	62.36
Other taxes	-21.83	15.97	28.81	32.38	27.55	-29.04	14.17	15.20	16.30	17.46
Long-term income tax	-197.98	-148.48	-111.36	-83.52	-62.64	-46.98	-35.24	-26.43	-19.82	-14.86
Net cash flows from operating activities	8596.41	8976.39	9621.20	10792.01	12072.73	12337.76	13465.38	14095.95	14994.10	15943.03
Investments in affiliates	-41	-43	-44	-46	-48	-50	-52	-54	-56	-58
Lease right-of-use asset	-405	-409	-414	-419	-425	-431	-437	-444	-451	-459
Capital expenditures	-2358	-2416	-2477	-2539	-2602	-2667	-2734	-2802	-2872	-2944
Net cash flows from investing activities	-2804.04	-2868.60	-2935.19	-3003.85	-3074.61	-3147.50	-3222.54	-3299.77	-3379.23	-3460.96
Long-term financing issuances	533	1507	1630	1488	825	1231	919	1456	1507	1562
Current maturities of long-term debt	1251	2459	2829	-2303	-732	201	0	0	0	0
Treasury stock purchases	-875.09	-905.72	-937.42	-970.23	-1004.19	-1039.34	-1075.71	-1113.36	-1152.33	-1192.66
Accrued interest	-71.48	-23.66	73.91	-34.81	-17.05	7.15	3.62	8.55	8.75	8.97
Lease Liability	391.97	449.76	442.65	456.14	456.15	456.03	447.99	455.06	462.58	470.54
Common stock dividends	-4175	-4365	-4565	-4774	-4993	-5222	-5462	-5713	-5976	-6251
Proceeds from stock option exercises	21.00	21.00	21.00	21.00	21.00	16.80	0.00	0.00	0.00	0.00
Other long term liabilities	61.60	65.21	69.02	73.07	77.35	81.88	86.67	91.75	97.12	102.81
Net cash flows from financing activities	-2863	-793	-436	-6044	-5366	-4268	-5081	-4815	-5052	-5300
Cash & equivalents increase (decrease)	2929.53	5314.59	6249.63	1744.21	3632.34	4922.48	5162.27	5981.56	6562.72	7182.41
Cash & equivalents at beginning of year	2,583.80	5,513.33	10,827.92	17,077.55	18,821.76	22,454.10	27,376.58	32,538.85	38,520.41	45,083.14
	5,513.33	10,827.92	17,077.55	18,821.76	22,454.10	27,376.58	32,538.85	38,520.41	45,083.14	52,265.54

McDonald's
Common Size Income Statement

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Sales by company-operated restaurants	42.37%	42.15%	37.74%	33.90%	31.21%	28.82%	26.55%	25.02%	23.56%	22.16%	20.81%	19.53%	18.31%
Rents	35.64%	36.09%	36.15%	37.73%	35.31%	33.16%	31.05%	29.76%	28.49%	27.24%	26.01%	24.82%	23.65%
Royalties	19.95%	20.00%	20.04%	20.91%	19.57%	18.38%	17.21%	16.49%	15.79%	15.10%	14.42%	13.75%	13.11%
Initial fees	0.26%	0.25%	0.26%	3.14%	3.07%	3.07%	3.19%	3.33%	3.47%	3.61%	3.76%	3.92%	4.08%
Revenues from franchised restaurants	55.84%	56.35%	60.85%	64.60%	67.37%	69.82%	72.16%	73.72%	75.22%	76.66%	78.04%	79.36%	80.62%
Other revenues	1.78%	1.51%	1.42%	1.55%	10.57%	9.49%	8.51%	7.90%	7.34%	6.82%	6.33%	5.88%	5.47%
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Food & paper expenses	13.35%	13.34%	11.81%	33.00%	32.59%	32.18%	31.78%	31.38%	30.99%	30.60%	30.22%	29.84%	29.47%
Payroll & employee benefits expenses	12.58%	11.53%	11.29%	25.00%	26.00%	26.50%	25.86%	25.24%	24.64%	24.05%	23.47%	22.91%	22.36%
Occupancy & other operating expenses	10.42%	9.79%	8.74%	24.00%	23.88%	23.76%	23.64%	23.52%	23.41%	23.29%	23.17%	23.06%	22.94%
Franchised restaurants - occupancy expenses	11.49%	10.05%	10.14%	20.50%	20.71%	20.91%	21.12%	21.33%	21.55%	21.76%	21.98%	22.20%	22.42%
Other restaurant expenses	1.39%	1.12%	1.06%	1.06%	1.05%	1.03%	1.02%	1.00%	0.99%	0.97%	0.95%	0.94%	0.92%
Depreciation & amortization expenses	9.12%	8.04%	8.07%	7.16%	6.92%	6.70%	6.47%	6.39%	6.30%	6.20%	6.09%	5.98%	5.86%
Other selling, general & administrative expenses	2.57%	2.19%	2.68%	2.97%	2.96%	2.95%	2.94%	3.00%	3.05%	3.10%	3.15%	3.19%	3.23%
Gains on sales of restaurant businesses	0.12%	0.42%	-0.26%	-0.27%	-0.26%	-0.24%	-0.23%	-0.22%	-0.21%	-0.20%	-0.20%	-0.19%	-0.18%
Equity in earnings (losses) of unconsolidated affiliates	0.61%	0.76%	-0.49%	0.53%	0.51%	0.50%	0.49%	0.49%	0.48%	0.48%	0.48%	0.47%	0.47%
Asset dispositions & other expense (income), net	1.51%	0.32%	0.59%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Impairment & other charges (gains), net	-1.39%	-1.23%	4.36%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense (income), net	-0.61%	-2.08%	4.20%	-2.10%	-2.21%	-2.50%	-2.25%	-2.20%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%
Total operating costs & expenses	61.87%	55.41%	59.58%	51.75%	48.71%	46.86%	45.29%	44.29%	43.48%	42.54%	41.66%	40.85%	40.09%
Operating income	38.13%	44.59%	40.42%	48.25%	51.29%	53.14%	54.71%	55.71%	56.52%	57.46%	58.34%	59.15%	59.91%
Interest expense	6.37%	5.14%	5.14%	3.22%	3.59%	3.98%	3.42%	3.25%	3.23%	3.16%	3.10%	3.03%	2.97%
Income before provision for income taxes	31.97%	39.31%	33.76%	45.03%	47.70%	49.16%	51.28%	52.46%	53.29%	54.30%	55.24%	56.12%	56.94%
Provision for income taxes	7.34%	6.82%	7.11%	11.43%	12.16%	12.59%	12.97%	13.20%	13.40%	13.62%	13.83%	14.02%	14.20%
Net income	24.63%	32.49%	26.65%	30.37%	31.96%	32.59%	34.89%	36.01%	36.67%	37.52%	38.31%	39.07%	39.78%

McDonalds
Common Size Balance Sheet

<i>Fiscal Years Ending Dec. 31</i>	2015	2016	2017	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Cash & equivalents	30.24%	4.97%	10.80%	17.96%	20.28%	11.15%	24.82%	45.62%	67.56%	69.73%	79.73%	93.05%	105.75%	119.56%	133.50%	147.50%
Accounts & notes receivable	5.11%	5.99%	8.66%	10.99%	8.06%	9.12%	9.00%	9.75%	10.50%	11.25%	10.00%	9.50%	8.00%	8.00%	8.00%	8.00%
Inventories, at cost, not in excess of ma	0.39%	0.24%	0.26%	0.27%	0.24%	0.22%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.24%	0.23%	0.22%	0.21%
Prepaid expenses & other current asset	2.20%	2.30%	3.63%	3.29%	2.20%	2.90%	2.50%	2.70%	3.00%	2.25%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Total current assets	37.95%	19.69%	23.34%	32.50%	30.78%	23.40%	38.78%	37.06%	35.69%	34.58%	33.87%	33.40%	32.94%	32.48%	32.02%	31.57%
Investments in & advances to affiliates	3.12%	2.95%	4.76%	6.75%	5.17%	4.59%	4.98%	4.84%	4.72%	4.59%	4.57%	4.54%	4.51%	4.47%	4.43%	4.39%
Goodwill	9.90%	9.49%	10.43%	14.44%	11.98%	12.51%	13.06%	12.22%	11.47%	10.74%	10.30%	9.86%	9.43%	9.00%	8.59%	8.19%
Miscellaneous	7.35%	7.54%	11.23%	18.36%	19.16%	20.30%	20.75%	20.00%	19.50%	19.25%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%
Total other assets	20.38%	19.97%	26.42%	39.56%	36.31%	37.41%	38.78%	37.06%	35.69%	34.58%	33.87%	33.40%	32.94%	32.48%	32.02%	31.57%
Lease right-of-use asset, net	-	-	-	71.99%	58.36%	54.20%	58.39%	56.37%	54.57%	52.66%	51.98%	51.22%	50.39%	49.50%	48.57%	47.58%
Property & equipment, at cost	148.32%	139.89%	160.50%	215.94%	180.50%	177.02%	195.33%	193.00%	191.04%	188.30%	189.71%	190.67%	191.19%	191.30%	191.01%	190.36%
Accumulated depreciation & amortizatio	57.35%	53.55%	62.13%	86.00%	74.05%	74.47%	84.87%	86.35%	87.79%	88.67%	91.37%	93.77%	95.85%	97.64%	99.13%	100.33%
Net property & equipment	90.97%	86.34%	98.37%	129.94%	106.45%	102.55%	110.46%	106.65%	103.25%	99.62%	98.33%	96.90%	95.34%	93.66%	91.88%	90.02%
Total assets	149.29%	126.00%	148.13%	273.99%	231.90%	217.56%	244.20%	258.39%	274.83%	270.34%	276.15%	286.32%	294.65%	305.43%	316.19%	326.89%
Accounts payable	3.44%	3.07%	4.05%	3.86%	4.34%	4.23%	4.50%	4.95%	5.05%	4.50%	4.00%	3.85%	3.85%	3.85%	3.85%	3.85%
Lease liability	-	-	-	3.65%	3.04%	2.85%	5.10%	5.35%	5.50%	5.70%	5.85%	5.95%	5.95%	5.95%	5.95%	5.95%
Income taxes	0.61%	1.09%	1.16%	3.86%	1.55%	1.19%	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%
Other taxes	1.22%	1.08%	1.21%	1.18%	1.02%	1.10%	1.05%	1.05%	1.10%	1.15%	1.20%	1.05%	1.05%	1.05%	1.05%	1.05%
Accrued interest	0.92%	1.01%	1.22%	2.02%	1.56%	1.70%	45.00%	35.00%	37.00%	36.50%	35.00%	34.50%	34.00%	34.00%	34.00%	34.00%
Accrued payroll & other liabilities	5.43%	4.71%	5.02%	5.93%	5.80%	5.34%	5.90%	5.93%	6.15%	6.00%	5.85%	5.50%	5.00%	5.00%	5.00%	5.00%
Total current liabilities	11.61%	14.09%	12.67%	32.18%	17.31%	16.40%	23.16%	33.61%	44.47%	33.47%	29.58%	29.10%	27.99%	27.40%	26.83%	26.25%
Long-term debt	94.92%	105.10%	129.43%	183.24%	153.39%	154.87%	164.01%	159.85%	156.56%	152.12%	148.72%	146.55%	143.11%	141.20%	139.17%	137.05%
Long-term lease liability	-	-	-	69.35%	56.07%	52.34%	56.38%	54.44%	52.70%	50.85%	50.19%	49.46%	48.66%	47.81%	46.90%	45.95%
Long-term income taxes	-	-	10.39%	10.26%	8.17%	3.42%	2.67%	1.88%	1.32%	0.93%	0.67%	0.48%	0.34%	0.25%	0.18%	0.13%
Deferred revenues - initial franchise fee:	-	-	-	3.65%	3.18%	3.27%	3.25%	3.45%	3.75%	4.00%	4.15%	4.00%	3.75%	3.75%	3.75%	3.75%
Other long-term liabilities	8.16%	8.38%	5.06%	5.49%	4.65%	4.54%	5.01%	4.97%	4.94%	4.89%	4.96%	5.03%	5.09%	5.15%	5.20%	5.24%
Deferred income taxes	6.71%	7.38%	4.91%	10.55%	8.94%	8.62%	8.99%	8.42%	7.90%	7.40%	7.09%	6.79%	6.49%	6.20%	5.91%	5.64%
Total long term debt	109.79%	120.87%	149.78%	282.54%	234.40%	227.05%	240.32%	232.99%	227.17%	220.19%	215.79%	212.31%	207.45%	204.35%	201.11%	197.75%
Common stock	25.77%	27.51%	31.06%	41.23%	35.52%	36.94%	38.64%	36.25%	34.13%	32.04%	30.78%	29.52%	28.23%	26.96%	25.72%	24.51%
Retained earnings	175.48%	187.73%	211.77%	280.66%	247.75%	256.85%	279.60%	275.25%	273.02%	272.87%	279.80%	286.77%	293.96%	301.33%	308.86%	316.50%
Accumulated other comprehensive inco	-11.33%	-12.56%	-9.55%	-13.47%	-11.08%	-10.73%	-11.19%	-10.48%	-9.84%	-9.21%	-8.83%	-8.45%	-8.08%	-7.72%	-7.36%	-7.02%
Common stock in treasury	162.03%	211.64%	247.60%	349.16%	292.00%	308.96%	326.34%	309.24%	294.11%	279.01%	270.97%	262.93%	254.89%	246.89%	238.96%	231.11%
Total shareholders' equity (deficit)	27.89%	-8.95%	-14.32%	-40.74%	-19.81%	-25.90%	-19.28%	-8.21%	3.20%	16.68%	30.78%	44.91%	59.21%	73.68%	88.25%	102.88%

McDonalds

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.17%
Beta	0.73
Equity Risk Premium	5.50%
Cost of Equity	8.19%

ASSUMPTIONS:

10-year Treasury Bond

"Average of 1, 2, 3, 4, and 5-year weekly beta

Aswath Damodaran Rate & Henry Fund decision

Cost of Debt:

Risk-Free Rate	4.17%
Implied Default Premium	0.43%
Pre-Tax Cost of Debt	4.60%
Marginal Tax Rate	22%
After-Tax Cost of Debt	3.59%

20-year Treasury Bond

YTM on bond maturing in 2045

Market Value of Common Equity:

Total Shares Outstanding	741.30
Current Stock Price	\$265.33
MV of Equity	196,689.13

MV Weights

80.46%

Market Value of Debt:

Short-Term Debt	0
Current Portion of LTD	-
Long-Term Debt	35,622.70
PV of Operating Leases	12,134.40
MV of Total Debt	47,757.10

19.54%

Market Value of the Firm

244,446.23

100.00%

Estimated WACC

7.48%

McDonalds*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

Key Inputs:

CV Growth of NOPLAT	3.00%
CV Year ROIC	29.84%
WACC	7.48%
Cost of Equity	8.19%

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
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DCF Model:

Free Cash Flow (FCF)	7,033.61	8,335.35	9,249.96	10,155.40	11,430.74	11,760.08	12,916.51	13,384.86	14,264.92	15,197.02
Continuing Value (CV)										336,481.25
PV of FCF	6,543.83	7,214.92	7,449.06	7,608.73	7,967.89	7,626.63	7,793.30	7,513.52	7,449.94	175,729.44

Value of Operating Assets:	242,897.25
Non-Operating Adjustments	
Less: Total debt	-47,757.10
Less: PV of ESOP	-103.94
Add: Investments and advances to	1,064.50
Add: Normal Cash	915.05

Value of Equity	197,015.77
Shares Outstanding	744.80
Intrinsic Value of Last FYE	\$ 264.52

Implied Price as of Today **\$ 269.11**

EP Model:

Economic Profit (EP)	5,622.35	6,609.08	7,467.18	8,404.89	9,010.31	9,648.40	10,360.97	11,146.56	11,953.29	12,811.59
Continuing Value (CV)										283,503.71
PV of EP	5,230.84	5,720.69	6,013.37	6,297.19	6,280.70	6,257.16	6,251.39	6,257.06	6,242.68	148,061.59

Total PV of EP	202,612.69
Invested Capital (last FYE)	40,284.56
Value of Operating Assets:	242,897.25
Non-Operating Adjustments	
Less: Total debt	-47,757.10
Less: PV of ESOP	-103.94
Add: Investments and advances to	1,064.50
Add: Normal Cash	915.05

Value of Equity	197,015.77
Shares Outstanding	744.80
Intrinsic Value of Last FYE	\$ 264.52

Implied Price as of Today **\$ 269.11**

McDonalds

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
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EPS	\$ 9.08	\$ 10.25	\$ 11.18	\$ 12.83	\$ 13.87	\$ 14.81	\$ 15.91	\$ 17.08	\$ 18.32	\$ 19.65
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Key Assumptions

CV growth of EPS	3.00%
CV Year ROE	47.29%
Cost of Equity	8.19%

Future Cash Flows

P/E Multiple (CV Year)										18.06
EPS (CV Year)										\$ 19.65
Future Stock Price										\$ 354.93
Dividends Per Share	5.62	5.90	6.19	6.50	6.83	7.17	7.53	7.90	8.30	
Discounted Cash Flows	5.19	5.04	4.89	4.75	4.61	4.47	4.34	4.21	4.09	\$ 174.84


Intrinsic Value as of Last FYE \$ 216.43

Implied Price as of Today \$ 220.18

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Relative Valuation Models

Ticker	Company	Price	EPS 2023E	EPS 2024E	P/E 23	P/E 24	EV EBITA
CMG	Chipotle	\$ 1,495.27	\$41.89	\$51.10	35.70	29.26	28.00
DRI	Darden	\$ 147.14	\$7.84	\$8.69	18.77	16.93	12.90
WEN	Wendys	\$ 22.43	\$1.00	\$1.20	22.43	18.69	14.60
DMP	Dominos	\$ 49.30	\$1.86	\$2.27	26.51	21.72	15.10
YUM	Yum! Brands	\$ 128.68	\$5.17	\$5.93	24.89	21.70	20.90
SBUX	Starbux	\$ 103.01	\$3.39	\$4.07	30.39	25.31	18.50
PZZA	Pizza Hut	\$ 85.26	\$2.83	\$3.34	30.13	25.53	22.10
TXRH	Texas Roadhouse	\$ 103.91	\$4.70	\$5.48	22.11	18.96	14.70
Average					26.36	22.26	18.35

 MCDO	McDonalds	\$265.33	\$9.08	\$10.25	29.2	25.9	11,241.60
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Implied Relative Value:

P/E (EPS23)	\$	239.39
P/E (EPS24)	\$	228.18
EV/EBITA	\$	229.84

McDonalds

Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	0.78
Average Time to Maturity (years):	5.80
Expected Annual Number of Options Exercised:	0.13

Current Average Strike Price:	\$ 156.13
Cost of Equity:	8.19%
Current Stock Price:	\$265.33

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Increase in Shares Outstanding:	0.13	0.13	0.13	0.13	0.13	0.11	0.00	0.00	0.00	0.00
Average Strike Price:	\$ 156.13	\$ 156.13	\$ 156.13	\$ 156.13	\$ 156.13	\$ 156.13	\$ 156.13	\$ 156.13	\$ 156.13	\$ 156.13
Increase in Common Stock Account:	21	21	21	21	21	17	-	-	-	-
Share Repurchases (\$)	-875	-906	-937	-970	-1,004	-1,039	-1,076	-1,113	-1,152	-1,193
Expected Price of Repurchased Shares:	\$ 265.33	\$ 281.05	\$ 297.70	\$ 315.34	\$ 334.03	\$ 353.82	\$ 374.78	\$ 396.99	\$ 420.51	\$ 445.42
Number of Shares Repurchased:	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Shares Outstanding (beginning of the year)	746	743	740	737	734	731	728	726	723	720
Plus: Shares Issued Through ESOP	0.13	0.13	0.13	0.13	0.13	0.11	0.00	0.00	0.00	0.00
Less: Shares Repurchased in Treasury	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Shares Outstanding (end of the year)	743	740	737	734	731	728	726	723	720	717

McDonalds

Valuation of Options Granted under ESOP

Current Stock Price	\$265.33
Risk Free Rate	4.17%
Current Dividend Yield	2.26%
Annualized St. Dev. of Stock Returns	40.00%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	780	156.13	5.80	\$ 133.25	\$ 103,939
Range 2					
Range 3					
Range 4					
Range 5					
Range 6					
Range 7					
Range 8					
Range 9					
Total	780	\$ 156.13	5.80	\$ 161.76	\$ 103,939

McDonalds
Key Management Ratios

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Liquidity Ratios:													
Current Ratio ((CA-Inventory)/CL)	1.00	1.76	1.41	1.57	1.73	1.82	2.49	3.10	3.59	4.14	4.73	5.35	6.00
Cash Ratio (Cash/CL)	0.56	1.17	0.68	1.07	1.36	1.52	2.08	2.70	3.20	3.78	4.36	4.98	5.62
Quick Ratio ((Cash+A/R)/CL)	0.90	1.64	1.24	1.46	1.65	1.76	2.42	3.03	3.52	4.06	4.65	5.27	5.92
Asset-Management Ratios:													
Total Asset Turnover (Net income/Avg. Total Assets)	0.59	0.88	0.71	0.78	0.87	0.92	1.03	1.07	1.11	1.16	1.20	1.24	1.28
Fixed Asset Turnover (Net income/Avg. Fixed Assets)	0.19	0.31	0.26	0.27	0.30	0.32	0.36	0.37	0.38	0.40	0.41	0.43	0.45
A/R Turnover	9.65	11.65	21.92	22.22	11.01	10.17	9.49	9.62	10.49	11.71	12.79	12.79	12.80
Financial Leverage Ratios:													
Debt to Equity (D/E)	-6.94	-11.83	-8.77	-12.46	-28.38	71.10	13.20	7.01	4.73	3.50	2.77	2.28	1.92
Debt to Assets (D/A)	1.03	1.01	1.04	0.98	0.90	0.83	0.81	0.78	0.74	0.70	0.67	0.64	0.60
Asset to Equity (TA/TSE)	-6.73	-11.70	-8.40	-12.66	-31.47	86.02	16.20	8.97	6.37	4.98	4.15	3.58	3.18
Profitability Ratios:													
Return on Equity (NI/Beg TSE)	-57.62%	-96.43%	-134.26%	-112.40%	-177.05%	-422.69%	1166.27%	225.20%	124.46%	87.36%	67.75%	55.58%	47.29%
Return on Assets (NI/TA)	8.99%	14.01%	12.25%	12.44%	12.37%	11.86%	12.91%	13.04%	12.81%	12.73%	12.54%	12.36%	12.17%
Gross Profit Margin ((Sales-COGS)/Sales)	38.13%	44.59%	40.42%	48.25%	51.29%	53.14%	54.71%	55.71%	56.52%	57.46%	58.34%	59.15%	59.91%
Payout Policy Ratios:													
Dividend Payout Ratio (Dividend/EPS)	79.37%	51.93%	63.03%	61.86%	57.55%	55.41%	50.68%	49.23%	48.40%	47.31%	46.28%	45.29%	44.35%
Total Payout Ratio ((Divs. + Repurchases)/NI)	98.52%	63.14%	130.54%	74.83%	69.49%	66.79%	60.98%	59.13%	58.03%	56.63%	55.30%	54.03%	52.81%

McDonalds

Sensitivity Tables

Equity Risk Premium	Beta							
	269.11	0.55	0.60	0.65	0.73	0.80	0.90	1.00
	5.00%	370.58	346.05	324.08	293.32	270.04	241.47	217.26
	5.20%	359.45	335.21	313.53	283.24	260.35	232.30	208.59
	5.35%	351.45	327.44	305.98	276.03	253.43	225.77	202.41
	5.50%	343.75	319.95	298.72	269.11	246.80	219.52	196.50
	5.70%	333.89	310.40	289.45	260.29	238.35	211.56	189.00
	5.90%	324.49	301.29	280.64	251.92	230.34	204.03	181.90
	6.10%	315.52	292.61	272.23	243.95	222.73	196.89	175.17

		Risk Free Rate						
	269.11	3.60%	3.80%	4.00%	4.17%	4.40%	4.60%	4.80%
CV Growth of NOPLAT	2.50%	282.42	269.96	258.34	249.05	237.28	227.70	218.69
	2.70%	292.12	278.81	266.44	256.57	244.10	233.98	224.48
	2.85%	300.00	285.99	272.98	262.64	249.58	239.02	229.12
	3.00%	308.47	293.67	279.98	269.11	255.42	244.37	234.04
	3.15%	317.59	301.93	287.47	276.03	261.65	250.07	239.26
	3.30%	327.45	310.83	295.52	283.44	268.30	256.14	244.82
	3.50%	341.91	323.81	307.23	294.19	277.92	264.89	252.81

		WACC						
CV Growth of ROIC	269.11	7.00%	7.15%	7.30%	7.48%	7.75%	8.00%	8.15%
	26.50%	307.55	293.56	280.54	266.08	246.46	230.20	221.20
	27.50%	308.83	294.78	281.71	267.18	247.48	231.14	222.10
	28.50%	310.03	295.91	282.79	268.21	248.42	232.02	222.95
	29.84%	311.50	297.31	284.12	269.47	249.59	233.10	223.99
	31.00%	312.67	298.43	285.19	270.48	250.51	233.96	224.81
	32.00%	313.61	299.33	286.04	271.28	251.26	234.66	225.48
	33.00%	314.50	300.17	286.85	272.04	251.96	235.31	226.10

DDM		Pre-tax Cost of Debt						
	220.18	4%	4.20%	4.40%	4.60%	5%	5.25%	5.50%
CV Growth of EPS	2.25%	202.99	202.10	201.22	200.34	198.57	197.47	196.36
	2.50%	209.07	208.17	207.27	206.37	204.57	203.45	202.32
	2.75%	215.71	214.79	213.88	212.96	211.12	209.98	208.83
	3.00%	222.99	222.06	221.12	220.18	218.31	217.13	215.96
	3.25%	231.02	230.06	229.10	228.14	226.22	225.02	223.82
	3.50%	239.89	238.91	237.93	236.94	234.98	233.75	232.52
	3.75%	249.77	248.76	247.75	246.74	244.72	243.46	242.19

Rev. Growth Per Company Store								
Company Store Growth	269.11	1.50%	1.00%	0.00%	-0.50%	-1.00%	-1.50%	-2.00%
	-3.50%	269.07	267.86	265.61	264.56	263.55	262.59	261.66
	-3.00%	270.15	268.89	266.55	265.45	264.40	263.39	262.43
	-2.50%	271.28	269.97	267.52	266.38	265.28	264.23	263.23
	-2.00%	272.46	271.10	268.54	267.35	266.21	265.11	264.07
	-1.50%	273.70	272.28	269.61	268.37	267.18	266.04	264.95
	-1.00%	275.00	273.51	270.73	269.43	268.19	267.00	265.86
	-0.25%	277.06	275.47	272.51	271.12	269.80	268.53	267.32