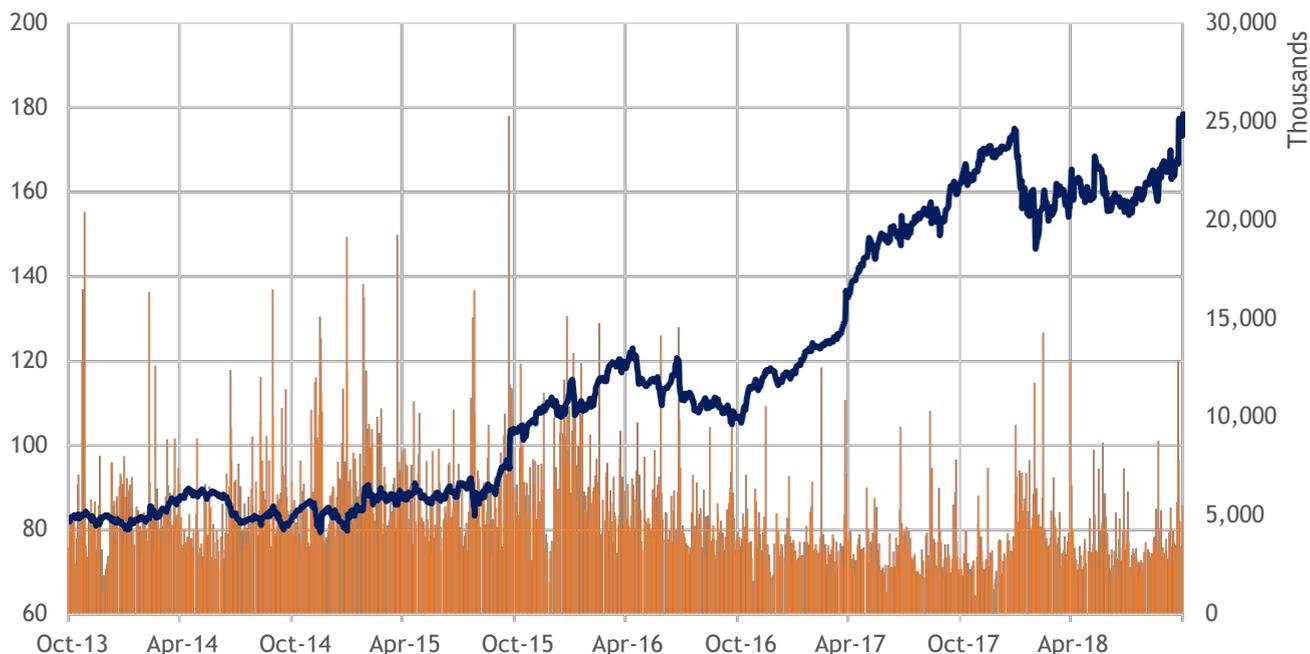


McDonald`s Company



Ticker: **MCD**

Market: **NYSE**

Average volume (10d): **3.52M**

Beta: **0.63**

52 Week Range: **\$178.70 – \$146.84**

Previous Close: **\$165.18**

Market Cap: **\$128.635B**

Enterprise Value: **\$157.98B**

Enterprise Value/EBITDA: **15.99x**

Enterprise Value/Revenue: **7.32x**

Total Shares Outstanding: **775.8M**

PE Ratio: **24.33x**

PB Ratio (FY): **N/A**

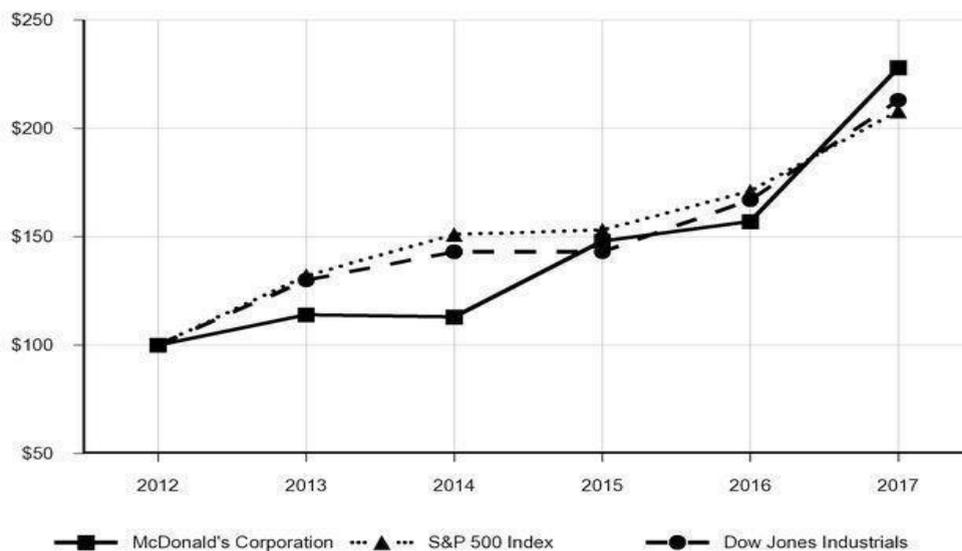
Price to Sales (FY): **5.96x**

McDonald's Corporation (McDonald's), operates and franchises McDonald's restaurants. The Company's segments include U.S., International Lead Markets, High Growth Markets and Foundational Markets and Corporate. McDonald's franchised restaurants are owned and operated under various structures, including conventional franchise, developmental license or affiliate. The Company is primarily a franchisor. The U.S. segment focuses on offering a platform for authentic ingredients, the International Lead Markets and High Growth Markets are in charge of market operations in numerous countries, lastly the Foundational Markets and Corporate segment is engaged in operating restaurants and increasing convenience to customers.

McDonald's impressive earnings surprise history, various sales and digital initiatives as well as positive comparable sales have helped the stock to outperform its industry in the past six months (McDonald's shares have increased 7% in the past six months compared with the industry's gain of 6%). Earnings surpassed estimates for the 16th straight quarter as it reported second-quarter 2018 results. Furthermore, increased focus on delivery and accelerated deployment of Experience of the Future restaurants in the United States, which focuses on adding technology to its eateries, should boost its performance. The company's efforts to drive growth in International Lead & High Growth Markets also bode well. In fact, global comps at McDonald's have been positive over the trailing 12 quarters. In second-quarter 2018, comps grew 4%, moreover, U.S comps were up 2.6% in the period. Yet, high labor costs and currency headwinds are major concerns. Moreover, revenues have been under pressure for quite some time due to strategic refranchising initiative. Even its heightened focus on refranchising should cut the capital requirements and facilitate EPS growth in the long run.

In January 2017, the company entered into a strategic partnership and sold the control of its Chinese business, thereby reducing its own share to 20%. The company intends to add over 1,500 stores more in the region within the next five years. Currently, nearly 92% of the company's restaurants are franchised, with the long-term goal of becoming 95% franchised. The reduction in ownership, i.e. re-franchising, weighs on near-term revenues, as it replaces company-operated sales by franchised sales. However, over the long term, it will reduce the company's capital requirements and facilitate earnings per share growth and ROE expansion.





Source: MCD 10-K

The following performance graph shows McDonald's cumulative total shareholder returns (i.e., price appreciation and reinvestment of dividends) relative to the Standard & Poor's 500 Stock Index (S&P 500 Index) and to the DJIA companies for the five-year period ended December 31, 2017. The graph assumes that the value of an investment in McDonald's common stock, the S&P 500 Index and the DJIA companies (including McDonald's) was \$100 at December 31, 2012. McDonald's has been regularly rewarding its shareholders through share repurchases and dividends. Evidently, the company has a history of increasing dividend almost every year. In September 2017, McDonald's raised its dividend by 7.4%. Meanwhile, the company expects to return around \$24 billion to shareholders for the three-year period ending 2019.

McDonald's is the world's largest chain of fast-food restaurants with presence in more than 100 countries. Its offerings have reached the billion-dollar brand status through sustained product innovation and geographic expansion. With an almost 10% share of the global informal-eating-out market, there is ample scope for it to grow in the future as it boasts a scale advantage compared to its peers. Growing guest counts remains the company's top priority and it intends to regain customers by focusing on food quality, convenience and value. Moreover, McDonald's expects its velocity accelerators of Experience of the Future, digital and delivery to drive growth over the long term. It plans to invest \$2.4 billion in 2018, mostly toward accelerating deployment of its Experience of the Future in the United States. Given various initiatives undertaken to drive growth, the stock has a decent upside potential.



## About Financijski klub

Financijski klub (the Financial Club) is a specialized student association which aims to provide its members with additional financial education. That being our core business, we organize different projects, lectures, workshops and numerous other social events. The Club has been active since 2005, and is situated at the Faculty of Economics and Business of the University of Zagreb.

With our ongoing activities we have established a significant role within the finance oriented academic population. Through the years, our work has been recognized with numerous Dean's and Rector's Awards, and our members with internships and jobs at leading companies. Our most recent highlight has been the award for outstanding contribution to financial markets education, awarded by the Zagreb Stock Exchange in 2013.

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### All performance and holdings data as of 31 October-18.

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