Equity Valuation of McDonald's Corporation

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Dissertation submitted in partial fulfilment of requirements for the Master's in Applied Management – Major in Finance & Management Control at the Universidade Católica Portuguesa

March of 2024

Dissertation written under the supervision of José Carlos Tudela Martins

Abstract

This thesis aims to conduct a comprehensive valuation of McDonald's Corporation stocks as of December 31, 2024. The company, listed on the New York Stock Exchange (NYSE) and part of the S&P 500 index, is headquartered in Chicago, Illinois, USA.

McDonald's journey is marked by entrepreneurship, focused leadership, and notable achievements, personified by its founder Ray Kroc, who partnered with Richard and Maurice McDonald after the success of their remarkable restaurant in San Bernardino, California, and the innovative "Speedee Service System", which featured 15-cent hamburgers.

The analysis includes an examination of the industry, economic context, and a detailed financial assessment of the company. The primary valuation method employed is the Discounted Cash Flow (DCF), which involves discounting estimated future cash flows by the Weighted Average Cost of Capital (WACC) combined with the growth rate. The valuation results in a share price of $310,18, indicating a 4,61% upside potential compared to the value on December 31, 2023.

Additionally, a sensitivity analysis and a comparison valuation using the Dividend Discount Model (DDM) were performed as well as a comparative analysis with an external valuation conducted by Evercore, offering readers additional insights into the methodology and outcomes of the valuation. Finally, an investment note has been issued (only for academic purposes), providing a Hold recommendation.

Thesis Title: Equity Valuation of McDonald's Corporation

Author: Luís Ricardo Lourenço Lopes

Keywords: Equity Research; McDonald's; Quick Service Restaurants (QSR); DCF

Resumo

Esta tese tem como objetivo realizar uma avaliação financeira das ações da McDonald's Corporation a 31 de dezembro de 2024. A empresa, cotada na Bolsa de Valores de Nova Iorque (NYSE) e parte integrante do índice S&P 500, tem sede em Chicago, Illinois, EUA.

O percurso da McDonald's é marcado pelo empreendedorismo, por uma liderança com foco e conquistas notáveis, liderados pelo seu fundador Ray Kroc, que se associou a Richard e Maurice McDonald após o êxito do seu extraordinário restaurante em San Bernardino, Califórnia, e do inovador "Speedee Service System", onde vendiam hambúrgueres de 15 “cents”.

A avaliação inclui uma análise da indústria, do contexto económico e uma avaliação financeira pormenorizada da empresa. O principal método de avaliação utilizado é o dos Cash Flows Descontados (DCF), que consiste em descontar os Cash Flows futuros estimados pelo custo médio ponderado do capital (WACC) combinado com a taxa de crescimento. A avaliação resulta num preço da ação de $310,18, indicando um potencial de valorização de 4,61% em comparação com o valor a 31 de dezembro de 2023.

Adicionalmente, foi realizada uma análise de sensibilidade e uma avaliação alternativa utilizando o Modelo de Desconto dos Dividendos (DDM), bem como uma comparação com uma avaliação externa realizada pela Evercore, oferecendo aos leitores informações adicionais sobre a metodologia e os resultados da avaliação. Finalmente, foi emitida uma nota de investimento (apenas para fins académicos), com uma recomendação de retenção (Hold).

Título da Tese: Equity Valuation of McDonald’s Corporation

Autor: Luís Ricardo Lourenço Lopes

Palavras-Chave: Avaliação Financeira; McDonald’s; Restauração de Serviço Rápido; DCF

Acknowledgments

The conclusion of this dissertation marks a significant milestone in my academic journey, and I am pleased to express my gratitude for having chosen this area of studies in Católica Lisbon School of Business & Economics.

I cannot thank enough to my family for their support during my master's program, especially my mother who has always helped me kept focused.

Special thanks to McDonald’s and my colleagues for their invaluable guidance and support over this past year.

A heartfelt thank you to my partner, Madalena, who has been my academic role-model ever since, for the tireless support and motivation.

To all my friends and classmates, I appreciate the challenges and collaborative efforts that have contributed to my personal and academic growth.

Finally, I extend a sincere thank you to Professor José Carlos Tudela Martins for his availability, expertise, and guidance throughout this final project.

List of Abbreviations

APV	Adjusted Present Value Model
CAPM	Capital Asset Pricing Model
CAPEX	Capital Expenditures
CEO	Chief Executive Officer
DCF	Discounted Cash Flow
D&A	Depreciation and Amortization
DDM	Dividend Discount Model
DPS	Dividend Per Share
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EV	Enterprise Value
EVA	Economic Value Added
FCFF	Free Cash Flow to the Firm
GDP	Gross Domestic Product
IDL	International Developmental Licensees
IMF	International Monetary Fund
IOM	International Operated Markets
MCD	McDonald's
MRP	Market Risk Premium
NOPAT	Net Operating Profit After Taxes
NWC	Net Working Capital
NYSE	New York Stock Exchange
PV	Present Value
QSC&V	Quality, Service, Cleanliness and Value
QSR	Quick Service Restaurants
SG&A	Selling, General and Administrative Expenses
TV	Terminal Value
US	United States
USD	United States Dollar
WACC	Weighted Average Cost of Capital
YoY	Year on Year

McDonald's Corporation | Investment Note

Executive Summary

Founded in 1955, McDonald's Corporation, a global leader in the fast-food industry, remains a robust investment opportunity. With a rich history of success and a resilient business model, McDonald's demonstrates stability and growth potential. This investment note provides a comprehensive overview of key factors influencing McDonald's valuation and recommends a Hold position.

McDonald's exhibits robust revenue growth, driven by adaptability to consumer preferences and efficient cost management. With a strong dividend history, the company offers a reliable income stream. Positioned as a leader in the quick-service restaurant (QSR) industry, McDonald's strategic initiatives, such as digital transformation and menu innovations, support sustained growth.

Nevertheless, one should consider QSR industry competition, macroeconomic conditions (inflation, recession), and evolving consumer preferences for potential market share and sales impacts.

Investment Recommendation

Based on the evaluation using the DCF model, McDonald's intrinsic value is determined to be $310.18 per share, indicating a potential upside of 4.61%. Considering future cash flows, WACC, and growth rates, this assessment advises investors seeking stability, income, and growth potential to maintain their current holdings in McDonald's Corporation, assuming a Hold Position.

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Recommendation:
HOLD

McDonald's Corporation Stock (NYSE: MCD)

Target Price:

$310,18

Stock Price as of 31/12/2023:

$296,51

Valuation Outputs:

DCF: $310,18

DDM: $252,50

Upside / Downside Potential:

DCF: 4,61%

DDM: (17,1%)

Evercore Valuation:

Date:5th January 2024

Recommendation: Buy

Target Price: From $315 to $330

Current CEO:

Chris Kempczinski

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1. Introduction

This master thesis aims to conduct a thorough and comprehensive equity valuation of McDonald's Corporation, focusing on deriving an accurate estimation of its intrinsic value.

In line with established literature from esteemed academic journals and top-tier firms in equity valuation, intrinsic value refers to the "present value of its expected future dividends or cash flows that will be distributed to common shareholders" (Lee, Myers, & Swaminathan, 1999). However, it is crucial to acknowledge the inherent complexity and uncertainty involved in determining such cash flows. As affirmed by Damodaran, "the process of valuation is an intricate and multifaceted endeavor, rather than a definitive scientific formula" (Damodoran, 2002).

The valuation presented in this thesis employs robust quantitative models alongside own analysis on available information concerning McDonald's Corporation, its industry landscape, and the macroeconomic factors that impact its operational performance and overall worth.

Readers are advised against adopting a fixed perspective on the stock's precise price based on this valuation. Instead, the outcomes should be considered as a dynamic range, encompassing potential stock prices.

To enhance the robustness of this valuation, it will be conducted a comparative analysis with an alternative analysis made by equity research professionals. This will enable a comprehensive evaluation of divergences in both valuation outcomes and methodologies employed. The selected comparative analysis was issued by Evercore, a premier global independent investment banking advisory firm, based in New York, United States.

The structure of this report adheres to a rigorous, well-organized framework. The first section conducts an exhaustive review of equity valuation literature, drawing from esteemed academic journals and reputable firms at the forefront of the equity valuation domain. Subsequently, the second section delivers a comprehensive overview of McDonald's Corporation, encompassing an in-depth analysis of the company's financial information and its position within the industry. The third segment presents the actual valuation, showcasing the use of different valuation methodologies. Lastly, the report concludes by undertaking a meticulous comparative analysis between this valuation and Evercore's findings, interpreting any divergences and similarities.

2. Literature Review

2.1. Valuation Purpose and Tools

An equity valuation process serves diverse purposes, each aimed for different objectives. One of those purposes is Portfolio Management, where investment philosophies and types exhibit significant variations.

The second vital use arises in the context of Mergers or Acquisitions. In such scenarios, determining a fair value for the target firm is crucial "to decide on a fair value for the target firm before making a bid, and the target firm has to determine a reasonable value for itself before deciding to accept or reject the offer" (Damodoran, 2002).

The third essential purpose links to Corporate Finance, where the ultimate goal of maximizing firm value necessitates a thorough delineation of the interplay between financial decisions, corporate strategy, and overall firm worth.

In terms of valuation methods, two fundamental categories are prevalent: Enterprise Value Methods and Equity Value Methods. "Equity valuation approaches estimate the value of a firm to equity holders, whereas Enterprise value approaches assess the whole enterprise, the equity and the debt." (Young, Sullivan, Nokhasteh, & Holt, 1999).

Another significant distinction between methodologies lies in whether the approach relies on multiples, returns or cashflows. Multiples-based or (often called) Relative Valuation derives an asset's value "from comparable assets, standardized using common variables such as earnings, cash flows, book-value, or revenues" (Damodoran, 2002). While Return-based methods focus on the spread between returns on capital and its cost. On the other hand, Cash flow-based valuation determinates an object's value by evaluating the present value of its future cash flows.

These applications and methodologies underscore the complexity and significance of equity valuation, shaping critical decisions in financial management and investment strategies.

2.2. Multiples or (often called) Relative Valuation

Relative Valuation is a significant approach in equity valuation, seeking to determine the worth of assets by leveraging market data on similar assets. This method encompasses two key aspects: identifying comparable assets in the market that share similarities with the one under

evaluation and selecting a common metric or multiple that serves as a basis for assessing value across both the target asset and the group of comparable assets.

First and foremost, addressing the latter aspect of the challenge requires a comprehensive understanding of the diverse measurements of value, commonly referred to as multiples. These multiples can be categorized into two broad groups, similar to the previously seen valuation methodologies: enterprise multiples and equity multiples.

Sophisticated investors and bankers commonly favor enterprise-value multiples such as EV/EBITA or EV/EBITDA due to their ability to mitigate “distortions that affect earnings ratios” (Foushee, Koller, & Mehta, 2012), offering a more reliable reflection of a company's intrinsic value. Additionally, forward multiples, which consider expected or forecasted accounts for the upcoming financial year, are often preferred as they yield more accurate valuation outcomes (Goedhart, Koller, & Wessels, 2005).

Firstly, as noted by the author, equity multiples are susceptible to the influence of debt, resulting in divergent valuation outcomes for companies with identical prospects, barring differences only in capital structure ratios. Secondly, the selected multiples are relatively less prone to manipulation compared to metrics like EBIT or Net income when used as denominators, as the latter already encapsulate non-operating decisions of the firm. For instance, employing sales instead of EBITDA solely accounts for the revenue-generating capacity of assets while disregarding the operating costs incurred by the companies.

Another crucial consideration when selecting the appropriate multiples is related to timing. There are essentially three distinct types of multiples in this context: Current Multiples, which rely on accounting figures from the last financial year; Trailing Multiples, which encompass accounting data from the last four quarters; and Forward Multiples, based on anticipated or forecasted financial data for the upcoming financial year.

Proceeding to the second challenge in Relative Valuation, which involves identifying comparable companies, analysts acknowledge the inherent difficulty in locating a group of firms possessing identical characteristics to the company under consideration.

In the context of valuing McDonald's, a statistical technique known as cluster analysis would have to be employed to address disparities between McDonald's and a selected Peer Group. This method involves using McDonald's attributes as "anchors" or centers, identifying peer firms that closely align with these characteristics.

2.3. Equity Methods

2.3.1. **Cash Flow Approach | Dividend Discount Model (DDM)**

In principle, the Dividend Discount Model (DDM) is considered an intuitive equity valuation model, as it centers around the cash flow "you receive from a firm when you buy publicly traded stock is the dividend" (Damodoran, 2002). The Gordon Growth Model, a simplified version of DDM, is represented as follows:

$$\boldsymbol{Stock\ Value} = \frac{\text{Expected Dividend per Share (DPS)}}{\text{Required Return on Equity (Ke)} - \textit{Perpetual Growth Rate } (g)}$$

However, the Gordon Growth Model encountered significant challenges due to certain firms' policies of withholding dividends for extended periods, despite enjoying high growth rates. Additionally, the rising trend of share repurchases, used as a mean of compensating investors, brought forth the concern that "focusing strictly on dividends paid as the only cash returned to stockholders exposes us to the risk that we might be missing significant cash returned to stockholders in the form of stock buybacks" (Damodoran, 2002). Consequently, adjustments were made to the model to incorporate these repurchases in the following manner, ensuring a more comprehensive valuation approach:

$$\boldsymbol{Modified\ DP\ Ratio} = \frac{\textit{Dividends} + \textit{Stock Repurchase} - \textit{Long Term Debt Issues}}{\text{Net Income}}$$

The rationale behind deducting Long-Term Debt Issues is rooted in the possibility that "firms may sometimes buy back stock as a way of increasing financial leverage" (Damodoran, 2002). As this adjustment significantly impacts the growth in earnings per share, the revised measurement can be calculated using the following expression:

$$\boldsymbol{Modified\ g} = (1 - \textit{Modified DP Ratio}) * \textit{Return on Equity } (Ke)$$

The appropriateness of the Dividend Discount Model (DDM) version for valuation purposes heavily relies on how well it aligns with the characteristics of the company in question, such as in the case of McDonald's.

Critics have occasionally pointed out that the Dividend Discount Model (DDM) may become less effective in identifying undervalued stocks since "as the market rises, fewer and fewer stocks will be found to be undervalued using the dividend discount model" (Damodoran, 2002). However, it is essential to note that the DDM does not necessarily undervalue stocks in

comparison to their intrinsic value; rather, in specific circumstances, it might yield more conservative valuations than alternative approaches.

In conclusion, the DDM will be utilized as a supplementary model in this valuation process, but with a mindful consideration of the limitations associated with the highly influenced dynamics of dividend distribution decisions and the challenge of predicting future required return on equity based on a robust theoretical foundation.

2.4. Enterprise Value Methods:

2.4.1. Cash Flow Approach | Discounted Cash Flow (DCF)

The Discounted Cash Flow (DCF) approach is founded on the premise that the subject of valuation represents a succession “of risky cash flows stretching into the future” (Luerhman T. , 1997).

Within the framework of a DCF analysis, these cash flows manifest as Free Cash Flows to the Firm (FCFF), which can be described as “the hypothetical equity cash flow when the company has no debt.” (Fernández, 2010). The formula used for their calculation is as follows:

$$\boldsymbol{FCFF} = EBIT\ (1 - T) + Depreciation - \Delta\ Net\ Working\ Capital - CAPEX$$

Here, the variable "T" represents the company's tax rate. In the case of multinational corporations, like the one under examination in this valuation, it may be appropriate to employ the effective tax rate, in case that it has remained consistent in the years leading up to the valuation. This choice is justified by the potential variance in taxation across the diverse markets in which the company operates. The DCF formula, incorporating Free Cash Flows, is thus formulated as follows:

$$\textbf{Present Value} = \sum_{t=0}^{n} \frac{Expected\ (Free\ Cash\ Flow\ to\ Firm)t}{(1+k)^t}$$

2.4.1.1. Terminal Value & “Stable State”

Within the Discounted Cash Flow (DCF) methodology, a fundamental premise is that, at a specific moment in time, the company transitions into a state of stability. It becomes the

responsibility of the analyst to project the FCFF's up to this temporal boundary. This designated timeframe is often referred to as the "forecast period" and should extend for "as long as one can expect abnormal profitability or growth to be maintained" (Schill, 2013). However, practical considerations also dictate that the forecast period must be finite, as it is "not practical to forecast free cash flow year by year to infinity" (Brealey, Myers, & Allen, 2014).

As time progresses, the expectation is that growth will evolve from an atypical state to one of stability. This transition occurs because "Positive abnormal profitability attracts expansion and entry into the industry sufficient to put pressure on expected returns until they drop to meet the cost of capital" (Schill, 2013). This subsequent phase can be denoted as the "Stable State," characterized by a qualitative similarity in the company's operations year after year.

The formula previously presented for the Discounted Cash Flow, once the concept of terminal value is integrated, converts into the following expression:

$$\textbf{Present Value} = \sum_{t=0}^{t=n} \frac{Expected\ (Free\ Cash\ Flow\ to\ Firm)_t}{(1+k)^t} + \frac{Terminal\ Value_n}{(1+k)^n}$$

While various methods exist for calculating Terminal Value, this valuation will employ the Stable Growth Model approach, defined by the following formula:

$$\boldsymbol{Terminal\ Value_t} = \frac{Free\ Cash\ Flow\ to\ Firm_{t+1}}{k-g}$$

Where the g in above formula represents the Terminal Value Growth rate.

2.4.1.2. **Terminal Value Growth rate (*g*)**

The significance of this measurement is defined by the proportion that the Terminal Value represents in the context of a valuation employing the DCF method. Research indicates that, on average, the terminal value constitutes a substantial portion of the total valuation, accounting for approximately "94% of the total value if we make three annual forecasts, 90% of the total if we assume five annual forecasts and 79% of the total if we assume ten annual forecasts (Young, Sullivan, Nokhasteh, & Holt, 1999).

The determination of the long-term growth rate hinges significantly on a critical factor: the growth rate of the broader economy within which it is operating. As it is universally

acknowledged that no company can sustain higher growth rates than those of the economy in which it operates indefinitely, “the constant growth rate cannot be greater than the overall growth rate of the economy.” (Damodoran, 2002).

Schill (2013) underlines this point, emphasizing that failure to observe this principle would lead to the unrealistic scenario of business operations surpassing the size of the global economy in the foreseeable future. Therefore, the upper limit for the long-term growth rate should be predicated on either global economic growth if the company faces no geographical constraints, or national economic growth if its operations are restricted to a specific nation’s market.

2.4.1.3. **Required Return on Equity (*Ke*)**

The Required Return on Equity represents the anticipated return attributed by the market or expected by shareholders for assuming a certain level of risk.

A critical contribution in the pursuit of determining the appropriate method for calculating ke emerged with the introduction of the Capital Asset Pricing Model (CAPM) by (Sharpe, 1964). This model considered that the market comprises two pricing components: "the price of time, or the pure interest rate … and the price of risk, the additional expected return per unit of risk borne" (Sharpe, 1964).

It's important to note that this model, and specifically, the second risk mentioned refers to systematic risk, those to which numerous securities are exposed and that “can fetch a non-zero price” (Bodnar, Dumas, & Marston, 2003). CAPM asserts that the only risk that cannot be diversified away and, consequently, the only risk that the market compensates investors for undertaking, is the risk associated with world stock market price movements - often described as the "risk of covariation of the stock with the broader equity market" (Bodnar, Dumas, & Marston, 2003)

Building upon the work of previous scholars, (Fama & French, 1996) introduced a multifactor model aimed at providing a more comprehensive explanation of market pricing observations. This model, in addition to accounting for exposure to world equity market risk, incorporates two additional factors: "the difference between the return on a portfolio of small stocks and the return on a portfolio of large stocks (SMB, small minus big); and the difference between the return on a portfolio of high-book-to-market stocks and the return on a portfolio of low-book-to-market stocks (HML, high minus low)" (Fama & French, 1996).

Bearing in mind the presented evidence, this valuation will use the classical Capital Asset Pricing Model (CAPM) for simplicity and comparability, to calculate the Required Return on Equity for the company. The formula is outlined below:

$$\boldsymbol{E}\ (\boldsymbol{R_i}) = rf\ +\ \beta i * [E(Rm) - rf]$$

A final and crucial consideration is the assumption of the Full Segmentation concept as presented by (Bodnar, Dumas, & Marston, 2003) in estimating the Required Return on Equity for McDonald's shareholders. Consequently, the elements incorporated will be derived from the company's domestic financial market.

2.4.1.3.1. **Risk Free rate (*rf*)**

The risk-free rate plays a pivotal role in valuation when determining the Required Return for equity holders.

According to Damodaran, there are two essential conditions for an investment to qualify as risk-free: "the absence of default risk and the absence of reinvestment risk" (Damodoran, 2002). The initial condition effectively excludes corporate securities, leaving government securities as the sole contenders. The second condition relates to the temporal aspects of the investment. Ideally, the most precise use of the risk-free rate would involve employing year-specific risk-free rates. However, Damodaran notes that the impact of utilizing year-specific risk-free rates is generally marginal, especially when contrasted with using a risk-free proxy that matches the duration of the analysed cash flows.

Another critical factor highlighted by Damodaran pertains to the currency in which the risk-free proxy is denominated. He underscores the importance of aligning the risk-free rate used to derive expected returns with the currency used to measure the cash flows.

In conclusion, Damodaran recommends employing government bonds with the lowest possible default risk, ideally zero, denominated in the same currency as the cash flows being evaluated, as a suitable approximation for the risk-free rate (Damodoran, 2002).

2.4.1.3.2. **Market Risk Premium (*βi*)**

The essential techniques for estimating the Market Risk Premium (βi) are comprehensively outlined in the work of (Zenner, Hill, Clark, & Mago, 2008). Among these methodologies, two of them aim to establish a link between dividends and the MRP. However, as already mentioned, given the highly politicized nature of dividend distribution decisions, both the dividend discount and dividend yield approaches will be excluded from consideration in this valuation.

Another approach, the constant Sharpe Ratio method, aims to determine a portfolio's excess return relative to its risk. This method assumes a consistent Sharpe ratio over time. Nevertheless, empirical evidence suggests that the Sharpe ratio may fluctuate, which makes this approach unsuitable for the purposes of the study.

Both the *Bond-market implied risk premium* and the Fama-French 3-factor model rely heavily on the Capital Asset Pricing Model (CAPM). Since they have demonstrated superior explanatory ability for market returns both methods will be put to use.

Survey-based methods, despite involving polls among academics, investors, CFOs, and finance professionals, are considered less reliable due to substantial disparities in opinions.

To determine the historical average realized returns method, a critical consideration is the timeframe. Following the argument that "the required MRP is an expectation and is only loosely tied to historical data" (Fernández, 2010), the examination is focused on the past 5 years (2019-2023). The selected timeframe strikes a balance by encompassing a substantial dataset that captures contemporary market expectations while avoiding the overextension of data from periods characterized by significantly different market conditions, such as the previous low-interest-rate environment. These past conditions have since evolved, with the contribution of a series of events, including the Covid-19 pandemic period, the ongoing war situation, and contributing factors such as rising inflation rates and increased basket prices, which have collectively shaped the current economic landscape.

2.4.1.4. **DCF | Weighted Average Cost Capital (WACC) Approach**

The Weighted Average Cost of Capital (WACC), as defined by (Fernández, 2010), represents "the rate at which Free Cash Flows (FCF) must be discounted."

Emerging in the 1970's, WACC urged as the preferred approach for corporate asset valuation and served as the standard methodology for valuation for a considerable period of time,

enduring even to the present day. Nevertheless, in academic circles, some scholars contend that "WACC-based standard is obsolete" (Luerhman T. , 1997).

It can be computed using the following formula:

$$\boldsymbol{WACC} = \frac{D}{D+E} * Kd * (1-T) + \frac{E}{D+E} * Ke$$

Here, D, and E represent the market values of each financing component employed by the company, which typically include debt and common equity. Additionally, Kd expresses the cost of debt, while Ke represent the required rates of return for common shareholders.

The assessment of the cost of debt should consider market prices, as emphasized by (Koller, Goedhart, & Wessels, 2020), who advocate the suitability of yield to maturity for companies with investment-grade debt. In the absence of public debt, the cost of debt can be evaluated using the default spread coupled with a comparable credit rating from entities such as S&P or Moody's. Alternatively, for companies lacking a credit rating, a synthetic rating can be estimated by considering the interest coverage ratio (EBIT/Interest Expense) and aligning it with the corresponding default spread.

WACC provides a convenient tool to incorporate both the capital structure and the value of interest tax shields derived from that structure. However, complications arise when non-standard debt securities, such as convertible or tax-exempt debt, are introduced, potentially distorting the valuation. Additionally, the practice of using "book values to generate the weights in WACC, whereas the procedure is valid only with market values" (Luerhman T. , 1997) presents a challenge.

WACC has its limitations, addressing tax effects but neglecting other financing side-effects, such as financial distress costs. Moreover, it assumes a static capital structure or requires complex adjustments on "period by period within each project" (Luerhman T. , 1997), rendering it potentially more challenging to use compared to alternative valuation methods.

Nonetheless, WACC maintains widespread use and gathers support from who argues that "if the firm has an optimal or target debt ratio then APV and CCF add little, if anything, to a conventional WACC valuation" (Booth, 2007).

2.4.1.5. **DCF | Adjusted Present Value Approach**

While WACC approach has faced scrutiny from academics over the past two decades, this same group of researchers has championed an alternative approach known as Adjusted Present Value (APV). APV dissects "financial maneuvers separately and then adds their value to that of the business" (Luerhman T. , 1997). It can be outlined with the following formula:

$$\boldsymbol{APV} = Base\ case\ Value + Value\ of\ all\ financing\ side\ effects$$

The Base Case Value represents the "value of the project as if it were financed entirely with equity" (Luerhman T. , 1997), while the Value of all financing side effects encompass various factors “such as interest tax shields, costs of financial distress, hedges, issue costs” (Luerhman T. , 1997) and other associated expenses.

Similar to the WACC approach, the initial stage of the APV method involves forecasting free cash flows to the firm. These cash flows are then discounted to their present values but at the unlevered cost of equity, which represents the required return by shareholders for projects carrying the same operating risk as the firm, assuming they were funded solely with equity. Subsequently, all financing side effects are evaluated and added to the hypothetical unlevered value of the firm.

In many instances, firms may not experience a wide range of financing side effects. For example, some firms may not benefit from subsidies or engage in hedging strategies. In such cases, the APV formula simplifies to:

$$\boldsymbol{APV} = Base\ case + PV\ Tax\ Shields - Expected\ Costs\ of\ Financial\ Distress$$

One notable advantage of APV lies in its transparency, as it lays bare all components of value within the analysis. This transparency allows “managers not only to assess the value of an asset but also to determine its origins, ultimately facilitating the maximization of the firm's value” (Luerhman T. , 1997)

However, on the downside, there is a lack of consensus among academics regarding the calculation of the Present Value of Tax Shields and the Expected Costs of Financial Distress, as will be discussed further.

2.4.1.5.1. **Present Value of Tax Shields**

"Debt financing offers a tax advantage, allowing the firm to reduce its tax burden, thereby increasing returns to stockholders through tax savings." (Graham, 2001)

(Modigliani & Miller, 1963) were pioneers in proposing a method to calculate tax savings, under the assumption of zero bankruptcy risk. However, it's crucial to acknowledge that zero bankruptcy risk is not representative of most real-world scenarios. (Myers, 1974) introduced an approach to estimate the Present Value of Tax Shields with the formula:

$$\boldsymbol{PV\ (Tax\ Shields)} = \frac{Tc * Kd * D}{Kd} = Tc * D$$

Where Tc represents the applicable tax rate, Kd is the cost of debt, and D is the total debt amount.

In contrast, it is argued that "interest tax shields carry the same systematic risk as the firm's underlying cash flows and should, therefore, be discounted at the required return to assets" (Harris & Pringle, 1985). Consequently, the formula for calculating them is as follows:

$$\boldsymbol{PV\ (Tax\ Shields)} = \frac{Tc * Ku * D}{Ku}$$

Here, Ku represents the required return to unlevered equity.

2.4.1.5.2. **Expected Costs of Financial Distress**

The term Costs of financial distress can be defined as "the expenses associated with the increased likelihood of financial distress" (Almeida & Philippon, 2008).

These costs can be categorized into two main groups: direct costs of financial distress and indirect costs of financial distress. Direct costs typically involve legal fees and expenses directly related to the bankruptcy process. On the other hand, indirect costs of financial distress are often less visible and challenging to quantify. They comprise factors such as "damage to the firm's reputation, the loss of key employees and customers, and … the loss of value from foregone investment opportunities" (Almeida & Philippon, 2008).

The conventional model for estimating Expected Costs of Financial Distress "requires determining the probability of default with the additional debt and assessing the direct and indirect costs of bankruptcy" (Damodoran, 2002). This calculation involves multiplying the probability of default (linked to the firm's credit rating) by the sum of both indirect and direct costs associated with financial distress or bankruptcy.

However, an important observation that raises questions about the validity of this approach is "the tendency for the probability of financial distress to increase across all firms during economic recessions, indicating a systematic component" (Almeida & Philippon, 2008). (Almeida & Philippon, 2008) proposed an alternative model that incorporates the systematic risk premium into the valuation of Expected Costs of Financial Distress. This alternative model can be expressed as:

$$\boldsymbol{Expected\ Costs\ of\ Financial\ Distress} = \frac{q}{q + rf} * \varphi$$

Here, φ denotes the costs of financial distress (both direct and indirect) at the time they occur as a percentage of the firm's value, rf is the risk-free rate, and q represents the risk-adjusted probability that the firm will experience financial distress in each operating year.

2.4.2. **Returns Based Approach | Economic Value Added (EVA)**

The Economic Value Added (EVA) model "emerged out of the necessity to evaluate firm performance, when stock price volatility made them inadequate tools for this purpose" (Damodoran, 2002).

EVA "measures the dollar surplus value created by an investment or a portfolio of investments." (Damodoran, 2002). The formula for its calculation is as follows:

$$\boldsymbol{EVA} = NOPAT - (WACC * Capital\ Invested)$$

Where Net Operating Profits After Taxes (NOPAT) can be calculated by deducting taxes from a company's Earnings Before Interest and Taxes (EBIT) for each year.

The first essential parameter is the Capital Invested. Given that the market value of the firm also encompasses "capital invested in expected future growth" (Damodoran, 2002), the book value generally serves as the most suitable approximation for this input. The second input is the Return on Capital Invested, which requires an estimate of the after-tax operating income (NOPAT) generated by the firm on these investments.

Lastly, the Cost of Capital, calculated in the same manner as in the DCF-WACC approach, using the market weighted average of the after-tax cost of debt and required rate of return. After calculating the Economic Value Added for the given company over time, one can determine the firm's value using the subsequent formula from (Damodoran, 2002):

$$\boldsymbol{Value\ of\ the\ Firm} = Capital\ Invested + \sum_{t=1}^{t=\infty} \frac{EVA_t}{(1+Ke)^t} + \sum_{t=1}^{t=\infty} \frac{EVA_{t\ future\ profits}}{(1+Ke)^t}$$

2.5. Conclusion

After an extensive review of contemporary literature, several decisions have been made regarding the methodologies and procedures to be applied in the forthcoming valuation of McDonald's Corporation.

In the sphere of the latter reviewed Enterprise Valuation Methods, the Discounted Cash Flow (DCF) approach, with a particular emphasis on the Weighted Average Cost of Capital (WACC) variant, will hold a crucial role in assessing McDonald's Corporation value. Although the WACC approach does not fully consider some financing side effects, apart from tax shields, the valuation derived through the APV approach would not precisely represent the intrinsic value of the firm's equity. That discrepancy arises from the ongoing debate surrounding the calculation of Costs of Financial Distress and the Present Value of Interest Tax Shields.

On the other hand, the Economic Value Added (EVA) approach, which frequently encounters issues related to the identification of a suitable representation of Capital Invested and its heavy reliance on the WACC, will also not be considered.

In regard to the Equity Valuation Methods, the Dividend Discount Model (DDM) will be employed to introduce an additional layer of consistency to this valuation process. Its conservative nature will aid in establishing a lower boundary for the valuation.

3. World Economic Overview

Over the past five years, the global economic landscape has undergone a series of significant challenges and transformations, shaping the trajectory of nations and their economic prosperity.

2019 & A Pre-Pandemic Outlook:

At the onset of this period, the global economy was characterized by relative stability. Many regions were experiencing steady GDP growth, and international trade was robust. However, as the year progressed, signs of economic uncertainty began to emerge, foreshadowing the upheavals to come.

2020 & The Impact of the Covid-19 Pandemic:

The year 2020 marked a watershed moment with the eruption of the Covid-19 pandemic. Lockdowns, travel restrictions, and disruptions to global supply chains led to a contraction in economic activity. Countries worldwide experienced negative GDP growth, with sectors such as tourism, hospitality, and manufacturing being particularly hard-hit. Government interventions, fiscal stimulus, and unprecedented monetary policies were implemented to mitigate the economic fallout.

2021 & Signs of Recovery Amidst Ongoing Challenges:

As nations coped with the ongoing pandemic in 2021, there were indications of a tentative economic recovery. Vaccination efforts gained momentum, enabling some regions to reopen their economies. The International Monetary Fund reported a global GDP growth of 6% (5.7% solely in the United States), signaling a partial rebound from the numbers of the previous year. However, the recovery was uneven, with disparities evident among nations and sectors.

2022 & Geopolitical Turbulence Adding Complexity:

The year 2022 introduced new challenges to the global economic landscape. The conflict between Russia and Ukraine escalated, disrupting regional stability and impacting global supply chains. Additionally, tensions in the Middle East added a layer of complexity to the economic outlook. These geopolitical events contributed to a more restrained global GDP growth of 3.4%, reflecting a cautious post-pandemic recovery.

2023 & Period of Uncertainty and Rising Inflation:

The aftermath of geopolitical conflicts has continued to echo in 2023. The world faced the dual challenges of rising costs of living and inflation. These factors, coupled with the persistent effects of the pandemic, compelled nations to reassess their economic strategies. The global economy operated in a state of elevated uncertainty, requiring adaptive measures to sustain growth.

Figure 1 – Inflation by Area 2017-2028(F)

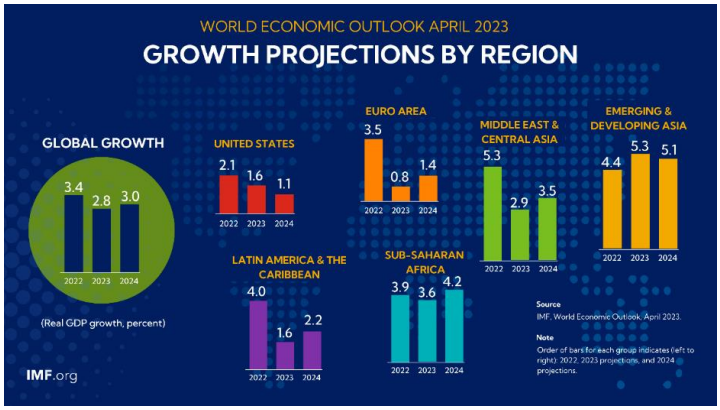
Inflation by Area	2017	2018	2019	2020	2021	2022	2023	2024 F	2025 F	2026 F	2027 F	2028 F
United States	2,1%	2,4%	1,8%	1,3%	4,7%	8,0%	4,1%	2,8%	2,4%	2,2%	2,1%	2,1%
Africa (Region)	12,7%	11,3%	9,0%	10,6%	12,8%	14,3%	18,5%	17,3%	11,8%	9,5%	8,7%	7,9%
Asia and Pacific	2,7%	3,0%	3,4%	3,2%	3,0%	6,6%	5,2%	5,4%	4,8%	4,5%	4,2%	4,1%
Europe	2,2%	2,2%	2,0%	1,1%	3,5%	9,9%	6,5%	4,1%	2,7%	2,5%	2,4%	2,3%
Middle East (Region)	2,9%	8,4%	6,4%	9,8%	12,2%	14,0%	13,9%	10,0%	7,9%	7,4%	7,1%	7,0%
Average	5,1%	6,2%	5,2%	6,2%	7,9%	11,2%	11,0%	9,2%	6,8%	6,0%	5,6%	5,3%
World	3,3%	3,6%	3,5%	3,2%	4,7%	8,7%	6,9%	5,8%	4,6%	4,2%	3,9%	3,8%

Source: IMF

A 2024 Outlook:

As we approach 2024, the global economic landscape remains dynamic and uncertain. 2 ongoing wars and persistent geopolitical tensions demand a pragmatic approach to economic policymaking. Mitigating inflationary pressures, fostering international cooperation, and addressing structural vulnerabilities will be crucial in shaping the economic trajectory for the year ahead. Organizations and governments must remain agile and resilient, adapting strategies to navigate the evolving challenges and seize opportunities for sustainable growth in the post-pandemic and post-conflict era.

Figure 2 - Growth Projection by Regin 2022-2024



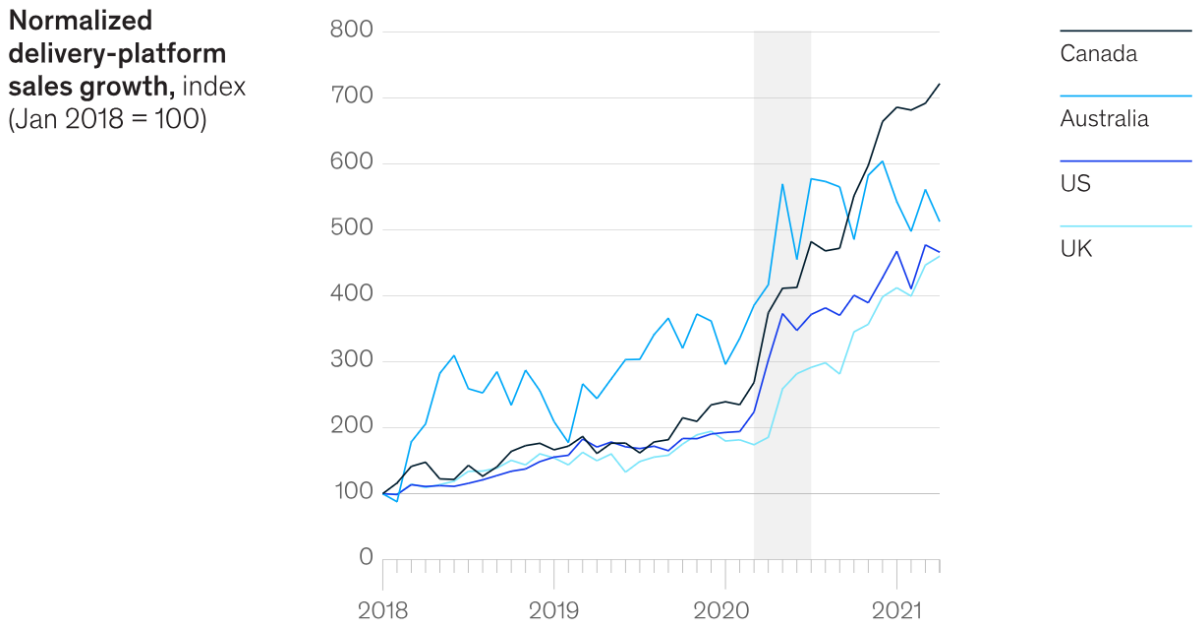
Source: IMF

4. Industry Overview

The Quick Service Restaurants (QSR) industry, within which McDonald's operates, constitutes a dynamic sector that plays a pivotal role in the broader Food and Beverage industry. With an estimated value of over 1.2 trillion USD in 2022, the QSR industry comprises a diverse range of establishments providing fast and convenient food options to consumers. Unlike traditional restaurants, Quick Service Restaurants are characterized by their emphasis on speed, affordability, and a standardized menu. The industry's rapid service model fits to the increasingly fast-paced lifestyles of consumers, making it an ever-present in urban centers and beyond.

The QSR industry is shaped by consumer preferences, technological advancements, and economic trends. In recent years, there has been a growing focus on health-conscious choices, sustainability, and digital transformation within the industry. In response to evolving consumer expectations, QSRs have embraced technology to enhance the customer experience. Digital menu boards, mobile apps for ordering, and loyalty programs are becoming standard features. The industry's response to the Covid-19 pandemic accelerated the adoption of such digital technologies, with many QSRs optimizing their operations for online ordering platforms, contactless payments, and delivery services. Digital has become an integral component of QSR operations, creating several other important revenue streams for the entire industry.

Figure 3 – Food-Delivery Business Growth



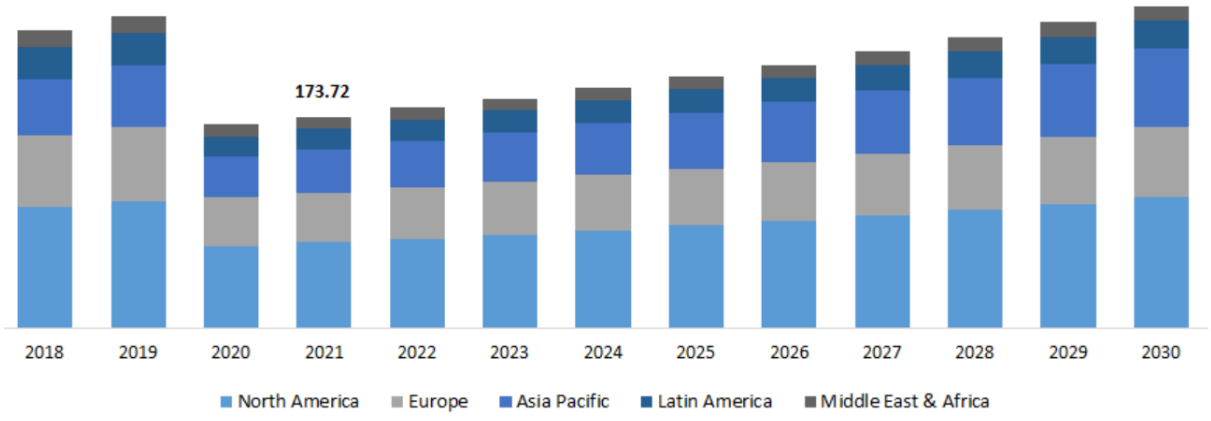
Source: McKinsey & Company

Looking ahead to 2024, the QSR industry is expected to keep evolving. Factors such as economic recovery from the pandemic, inflationary pressures, ongoing digitization, and sustainability concerns will shape the industry's trajectory. Challenges faced by the industry include rising input costs, labor and supply chain shortages, and increased competition. However, opportunities lie in the potential for international expansion, diversification of menu offerings, and leveraging data analytics for personalized customer experiences.

For companies operating in the QSR sector, maintaining a balance between traditional offerings and menu innovation is imperative to stay competitive. Moreover, investing in digital infrastructure, sustainable sourcing practices, and adapting to changing consumer preferences may definitely contribute to long-term success.

In conclusion, the Quick Service Restaurants industry, anchored by stalwarts like McDonald's, remains a dynamic and resilient sector. Navigating the challenges and seizing the opportunities presented by evolving consumer demands and technological advancements will be paramount for sustained growth in the years to come.

Figure 4 – QSR Market Size, by Region, 2018-2030 (USD Billion)



Source: Polaris Market Research

5. Company Overview

McDonald's Corporation is a prominent multinational fast-food restaurant chain operating in the global Quick Service Restaurant industry. The company's roots can be traced back to 1948 when it was founded by Richard and Maurice McDonald as a “Speedee Service System” restaurant in San Bernardino, California, featuring 15 cent hamburgers. However, the McDonald's we know today truly took shape in 1955 when Ray Kroc, a milkshake machine salesman, partnered with the McDonald brothers and opened the first franchised McDonald's restaurant in Des Plaines, Illinois. This marked the beginning of a rapid expansion that would not only reshape the food service industry but also establish the enduring blueprint for the franchising business model that persists to this day.

One of the defining features of McDonald's is its commitment to consistency and innovation. The company's mission statement, "To be our customers' favorite place and way to eat," reflects its dedication to delivering a consistent and enjoyable dining experience. McDonald's is renowned for its menu, which includes iconic items like the Big Mac, Chicken McNuggets, and the famous French fries. Innovations such as the drive-thru service, the introduction of the Happy Meal, the McCafé line of beverages and the “Best Burger” Method have allowed McDonald's to evolve with changing consumer preferences and stay relevant in a competitive market.

McDonald's went public in 1965, and its initial public offering was instrumental in funding its expansion efforts. Its price stock went public at $22.50 per share and after its first day as a publicly traded company, the stock had soared to $30 per share. The company's stock has become a cornerstone of the American stock market, and it is a component of major indices like the Dow Jones Industrial Average. McDonald's has a strong presence in nearly every country across the globe, both through internally operating and franchise, with thousands of locations serving millions of customers daily.

The company's growth has been nothing short of remarkable. In the years following its IPO, McDonald's experienced significant expansion and achieved unparalleled success in the QSR industry. By focusing on efficient operations and strategic marketing, it surpassed $1 billion in annual revenues well before the turn of the century.

Presently, McDonald's is a multinational powerhouse in the food service industry, operating in almost 100 countries and serving a wide range of menu options to cater to diverse tastes and preferences. McDonald's derives its primary revenues from three key sources: food sales, real

estate holdings, and franchise revenues, with its real estate portfolio emerging as the most robust contributor to its financial success, as said by its late founder Ray Kroc “We are in the real estate business, not the hamburger business”.

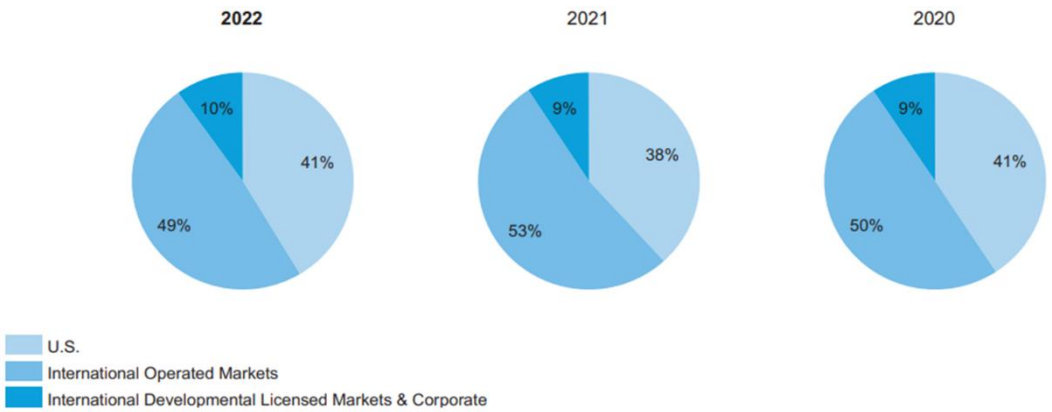
With a strong emphasis on quality, convenience, and customer satisfaction, McDonald's is not only a leader in the fast-food sector but also a symbol of American entrepreneurship and globalization. The company continues to adapt to changing consumer demands and is committed to sustainability and responsible business practices, making it a significant player in the global food industry, with substantial revenue and market capitalization. Its global reach, iconic branding, and innovative strategies have positioned it as one of the 10 world's most recognized and valuable brands by Forbes.

5.1. Market Share, Revenue Streams & Real Estate Property

McDonald's holds a significant share in the global fast-food industry. As of April 2023, McDonald’s statistics show that the market share of McDonald’s Corporation in the US was 25.24% and by the end of the 2nd quarter, it resulted in 25.49%.

Operating in 92 different countries, McDonald's has a truly global presence. The company strategically enters markets with a thorough understanding of local cultures and preferences. Its adaptability to diverse markets has enabled it to establish a strong foothold in regions ranging from North America and Europe to Asia and Africa. The company's global expansion strategy is a key driver of its market share and revenue growth.

Figure 5 – Total McDonald’s Revenues by Segment (%)



Source: McDonald’s Corp. 2022 Annual Report

Furthermore, McDonald's has exhibited robust financial performance over the years. Historical revenue data reflects consistent growth, driven by factors such as menu innovation, strategic marketing campaigns, and efficient operational processes. However, it is essential to consider the impact of seasonality on McDonald's financials. Historically, the company has experienced fluctuations in sales during certain periods, with increased demand during holidays and school vacation seasons. Understanding these patterns is crucial for McDonald's Strategic Marketing Planning and resource allocation.

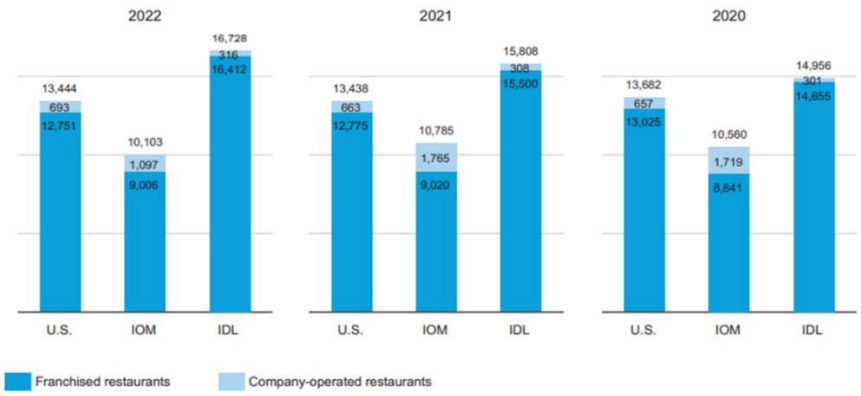
Figure 6 – Total McDonald's Revenues by Segment (USD Million)

Revenues (USD Million)	2017	2018	2019	2020	2021	2022
United States	**8 006**	**7 666**	**7 843**	**7 656**	**8 711**	**9 421**
United States (%)	35%	36%	37%	41%	38%	41%
International Operated Markets	**11 116**	**11 507**	**11 398**	**9 462**	**12 094**	**11 164**
International Operated Markets (%)	49%	55%	54%	50%	53%	49%
International Developmental Licensed Markets & Corporate	**3 698**	**1 852**	**1 836**	**1 747**	**2 068**	**2 269**
International Developmental Licensed Markets & Corporate (%)	16%	9%	9%	9%	9%	10%
Total Net Revenue	**22 820**	**21 025**	**21 077**	**18 865**	**22 873**	**22 854**

Source: Author

Playing a unique role in its business model, is the substantial real estate portfolio owned by McDonald's. Unlike many other fast-food chains, McDonald's often owns the land and buildings of its restaurant locations. This property ownership provides the company with additional revenue streams through leasing arrangements with franchisees. The strategic acquisition and management of real estate assets contribute to McDonald's financial stability and long-term profitability. Based on the 2022 Annual Report, McDonald's predicts an aggressive unit expansion which will not only contribute to a systemwide sales growth but also to the increase of an already robust real estate portfolio.

Figure 7 – Total Number of McDonald's Restaurants by operator (USD Million)



Source: McDonald's Corp. 2022 Annual Report

5.2. Vision & Strategy

McDonald's vision, as articulated on its corporate website, is to be "the world's best quick-service restaurant experience." This succinct statement highlights the company's ambition to excel in providing a superior and unparalleled dining experience within the fast-food industry.

The core values that guide McDonald's operations include quality, service, cleanliness, and value (QSC&V). McDonald's places a strong emphasis on consistently delivering high-quality products, excellent service, maintaining cleanliness standards, and providing good value to its customers. These values and the emphasis on being the best form the foundation of the company's commitment to excellence, continuous improvement, and customer satisfaction.

Regarding its strategy, ss outlined on its website, McDonald's global growth plan emphasizes a customer-centric approach and a commitment to leveraging innovation and technology. The company aims to enhance customer experience through digital transformation initiatives, such as mobile ordering possibility, delivery services, and loyalty programs, recognizing the evolving landscape of consumer preferences and technology trends.

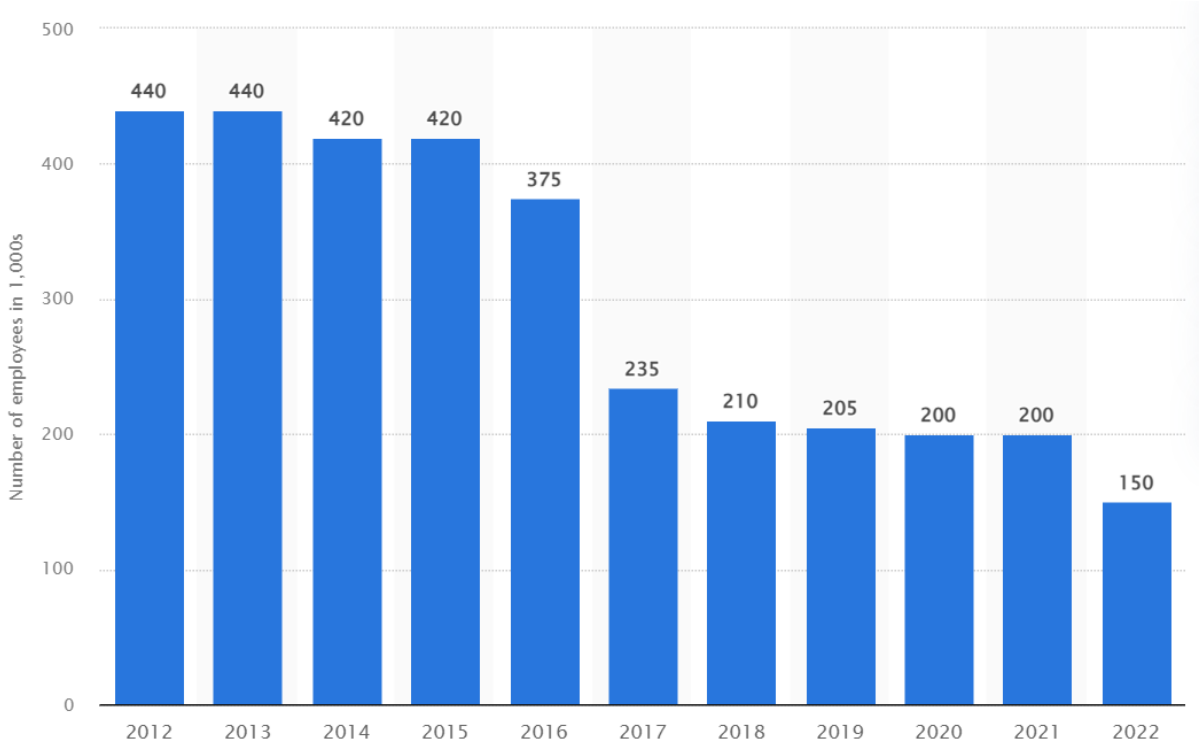
These efforts align with McDonald's strategy to enhance convenience and connectivity with customers, reflecting once again a proactive approach to staying ahead in the competitive QSR industry.

5.3. Employment & Social/ Sustainability Responsibility

As a major employer globally, McDonald's plays a vital role in providing job opportunities and career paths for millions of individuals. The company's employment strategies focus on training, skill development, and diversity and inclusion initiatives.

Nevertheless, McDonald's overall workforce has experienced a decline over the years, aligning with the reduction in the number of Company-Operated restaurants. This decline is offset by the growth of franchised units, resulting in an increased representation of employees from franchisees.

Figure 8 – Total Number of McDonald's Corp. Employees (USD Million)



Source: Statista

Moreover, McDonald's commitment to Corporate Social Responsibility is evident through its comprehensive sustainability initiatives and community engagement efforts, as highlighted in its annual Sustainability Report. The company acknowledges the importance of addressing environmental and social challenges associated with its operations and supply chain.

In its sustainability report, McDonald's outlines key initiatives to reduce its environmental footprint, such as sustainable sourcing of ingredients, energy efficiency, and waste reduction. Additionally, the corporation emphasizes community connection by actively engaging in philanthropic activities and fostering partnerships with local organizations. Through initiatives like the Ronald McDonald House Charities, which provides support to families with critically ill children, McDonald's demonstrates a genuine commitment to community well-being and a dedication to creating a positive and sustainable impact on the communities it serves.

5.4. Management

The current CEO and Chairman of McDonald's Corporation is Chris Kempczinski, who has held these positions since November 2019. Notably, from 2012 to 2019, Kempczinski served

in various leadership roles within McDonald's, showcasing a longstanding association with the company. His leadership has been pivotal in steering the company's strategic decisions.

Alongside Chris Kempczinski, the executive team appointed by the board of directors includes:

- Joe Erlinger, who serves as President of McDonald's USA;
- Jill McDonalds, who serves as President of International Operated Markets (IOM);
- Jo Sempels, who serves as President of the International Developmental Licensed Markets (IDL);
- Skye Anderson, who serves as President of the Global Business Services;

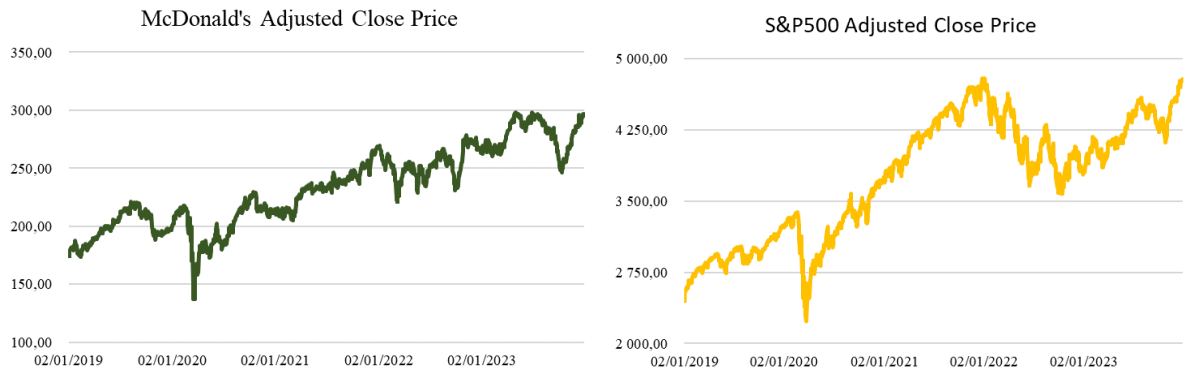
Within the Functional Leaders are Jon Banner (Global Chief Impact Officer), Ian Borden (Global Chief Financial Officer), Heidi Capozzi (Global Chief People Officer), Morgan Flately (Global Chief Marketing Officer), Marion Gross (Global Chief Supply Chain Officer) and Desiree Rall-Morrisson (Global Chief Legal Officer & Corporate Secretary).

The collective expertise of these executives contributes to McDonald's continued success and global presence. The company's commitment to transparent leadership is reflected in its comprehensive reporting structure, ensuring stakeholders are well-informed about the individuals steering McDonald's towards its corporate objectives.

5.5. Shareholders, Stocks & Dividend Policy

McDonald's Corporation is a publicly traded company, listed on the New York Stock Exchange (NYSE) and is a constituent of both the NASDAQ-100 and S&P500 indices.

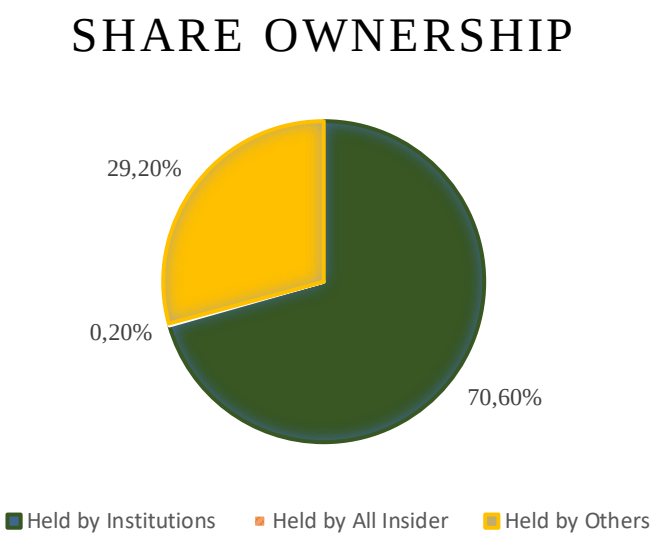
Figure 9 – McD Stock & S&P500 Index Historical Price Data



Source: Yahoo Finance

The majority of its shares are owned by institutional investors, as depicted in the share ownership graphic below:

Figure 10 – McDonald's Share Ownership (%)



Source: Yahoo Finance

According to McDonald's 2022 Annual Report, as of January 31, 2023, the company had a total of 731.496.951 shares of its common stock outstanding.

In December 2019, McDonald's Board of Directors sanctioned a share repurchase program effective January 1, 2020. The program allowed the company to buy back up to $15 billion of its outstanding stock without a specified expiration date. Throughout 2022, McDonald's successfully repurchased approximately 15.8 million shares at a total cost of $3.9 billion. This brought the total shares repurchased under the program to about 23.5 million, with a corresponding expenditure of $5.6 billion. This strategic initiative underscores McDonald's commitment to optimizing its capital structure and delivering value to shareholders.

On the 31st of December 2023, the following report enlisted the Top Institutional Shares Holders for McDonald's:

Figure 11 – Top Institutional McDonald's Corp. Share Holders (31st Dec. 2023)

Holder	Shares	Date Reported	% Out	Value
Vanguard Group Inc	68 449 565	Sep 29, 2023	9,44%	20 517 147 685
Blackrock Inc.	50 678 491	Sep 29, 2024	6,99%	15 230 406 838
State Street Corporation	33 681 164	Sep 29, 2025	4,64%	10 122 200 175
Geode Capital Management, LLC	14 567 719	Sep 29, 2026	2,01%	4 378 036 573
JP Morgan Chase & Company	14 351 001	Sep 29, 2027	1,98%	4 312 906 313
Morgan Stanley	12 710 406	Sep 29, 2028	1,75%	3 819 858 299
Bank of America Corporation	126 001 013	Sep 29, 2029	1,74%	3 786 681 891
Wellington Management Group, LLP	12 087 607	Sep 29, 2030	1,67%	3 632 688 516
Northern Trust Corporation	9 200 473	Sep 29, 2031	1,27%	2 765 018 139
Norges Bank Investment Management	8 884 607	Dec 30, 2022	1,22%	2 670 090 930

Source: Yahoo Finance

Additionally, the company's uninterrupted 47-year history of paying dividends on common stock, coupled with annual dividend increases, reflects its steadfast dedication to shareholder returns and financial stability.

Figure 12 – McDonald's Corp. Share Repurchases and Dividends Distribution (2022-2020)

SHARE REPURCHASES AND DIVIDENDS

In 2022, the Company returned approximately $8.1 billion to shareholders through a combination of dividends paid and shares repurchased.

Shares repurchased and dividends

In millions, except per share data	***2022***	*2021*	*2020*
Number of shares repurchased	15.8	3.4	4.3
Shares outstanding at year end	731	745	745
Dividends declared per share	$ 5.66	$ 5.25	$ 5.04
Treasury stock purchases *(in Shareholders' equity)*	$ 3,896	$ 846	$ 874
Dividends paid	4,168	3,919	3,753
Total returned to shareholders	$ 8,064	$ 4,765	$ 4,627

Source: McDonald's Corp. 2022 Annual Report

5.6. Porter's 5 Forces Analysis

Conducting a brief Porter's Five Forces analysis can provide valuable insights into the competitive dynamics shaping McDonald's strategic landscape.

The first force, threat of new entrants, is relatively low due to high initial capital requirements and established brand loyalty that customers exhibit towards McDonald's.

The bargaining power of buyers is moderated taking into consideration the vast number of customers and their relatively low individual purchase power. Moreover, McDonald's mitigates the bargaining power of suppliers through long-term relationships, global sourcing, and rigorous quality standards.

The threat of substitute products is moderate, highly influenced by evolving consumer preferences for healthier alternatives while intense competition characterizes the fast-food industry, with major players like Burger King and Wendy's applying a strong competitive force.

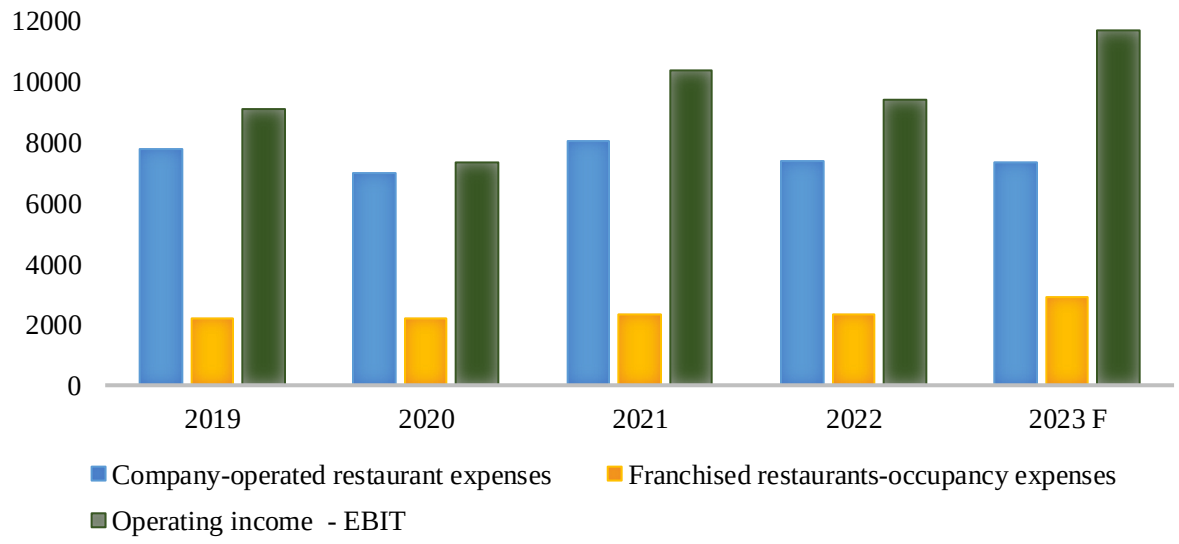
Overall, McDonald's strategic decisions have been being shaped by the interplay of these forces, emphasizing the importance of continuous adaptation and innovation in response to market dynamics.

5.7. Historical Financial Information

Understanding McDonald's future outlook requires a thorough examination of its historical financial performance, with a specific emphasis on the 2022 Annual Report. Analyzing data from the 10-K Reports of the last five years, especially the 2022 Report, offers valuable insights into the company's trajectory. It is noteworthy that McDonald's strategic financial measures play a pivotal role as key indicators, aiding in the anticipation of future developments.

Although 2023 is already over, the values used in the paper for that year are forecasted, based on the Outlook Note from the 2022 Annual report. McDonald's Corp. expects being able to share the 2023 Annual report during February of 2024.

Figure 13 – McDonald's Corporation EBIT & Expenses



Source: McDonald's Corp. 2022 Annual Report

By examining Figure 10, it becomes apparent that McDonald's has demonstrated robust financial performance in recent years. In both 2020 and 2022, Operating Income has been

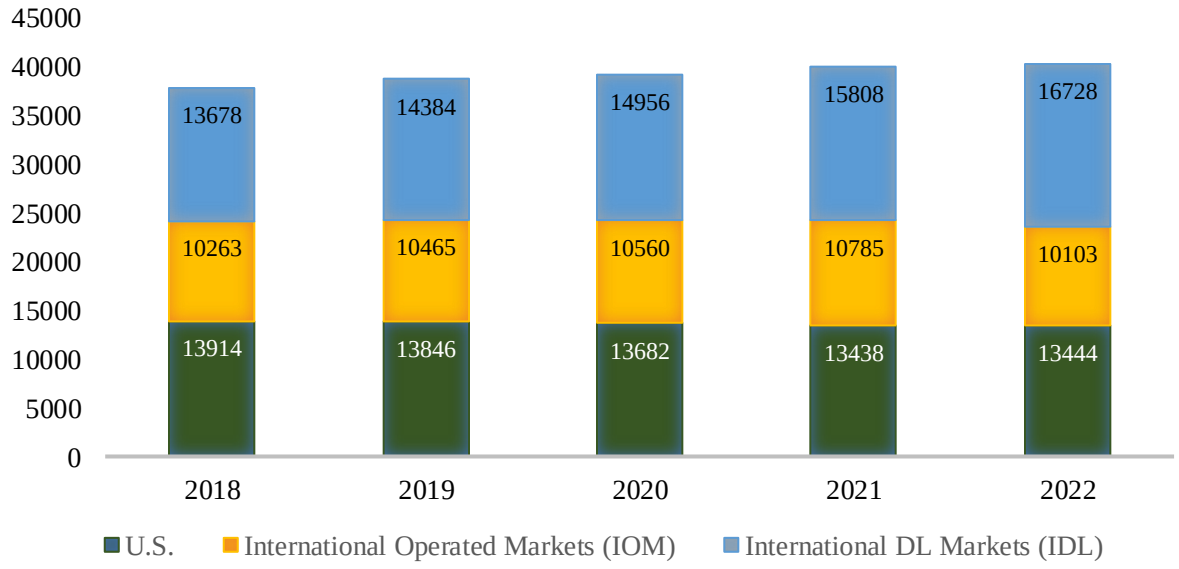
impacted. Initially, by the pandemic and, in 2022, by the temporarily closing of McDonald's restaurants in Russia and Ukraine, followed by the sale of the Company's business in Russia.

In 2022, McDonald's experienced a notable 10.9% growth in global comparable sales, primarily driven by robust sales performance across all segments resulting from the continued implementation of the Accelerating the Arches strategy.

The growth rates of earnings and cash flow were influenced by various factors, including charges associated with the sale of the Company's business in Russia, the settlement of a tax audit in France, and gains from the sale of the Company's Dynamic Yield business.

Furthermore, 2021 results were affected by gains related to the sale of McDonald's Japan stock, the remeasurement of deferred taxes due to a change in the U.K. statutory income tax rate, and charges from the sale of McD Tech Labs. In 2022, Systemwide sales experienced a 5% increase and more than 1,500 new restaurants, including those in developmental licensee and affiliated markets, were opened across the system, which highlights McDonald's strategy of expansion acceleration.

Figure 14 – McDonald's Restaurants by Ownership type



Source: McDonald's Corp. 2022 Annual Report

As a result of recent years performance, McDonald's Corp. commercial paper holds an A-2 rating from Standard & Poor's and a P-2 rating from Moody's. Additionally, its long-term debt is rated BBB+ by Standard & Poor's and Baa1 by Moody's.

The appendixes may be consulted for further evolution analysis of other financial reports, such as the Balance Sheet or Income Statement.

6. McDonald’s Valuation

6.1. Discounted Cash Flow (DCF) Valuation Method

Taking into consideration the abovementioned Literature Review and McDonald’s industry and business overview, this paper’s chosen valuation method is the Enterprise Valuation Method of the Discounted Cash Flow (DCF) model. This decision is grounded in several key considerations:

1. McDonald's, as a matured company, boasts substantial and continuous yearly revenues.
2. Positive cash flows in recent years enable reliable projection of future cash flows.
3. Despite the pandemic period, geopolitical turbulence and rising inflation, market stability is anticipated, enabling the use of the same WACC and discount rate in the DCF model.
4. The absence of comparable peers (mostly financially) within the QSR industry, undermines the application of The Multiples Method.

Finally, the Dividend Discount model will also be applied as an alternative method of valuation, considering McDonald’s strategy of returning cash to shareholders through dividends and share repurchases. Nevertheless, as discussed in the Literature Review, predicting the future required return on equity poses challenges, potentially making this valuation less suitable.

6.1.1. **Analysis Main Assumptions**

The valuation of the company is oriented towards determining the Present Value of the Free Cash Flow to Firm (FCFF) as of December 2024. As the Fiscal Year 2023 report is pending release, six fiscal years are forecasted (2023 until 2028). Notably, values for 2023 and 2024 are excluded from the Present Value (PV) calculation but will be incorporated to ensure comprehensive financial statement coverage in subsequent years.

Following a comprehensive analysis of the company's overall landscape, including macroeconomics and industry dynamics, the next step involves projecting future years. To optimize the Discounted Cash Flow (DCF) model, were used historical McDonald’s

consolidated financial statements, previously mentioned in the Historical Financial Information chapter, and presented in the Appendixes.

Subsequently, establishing guidelines and assumptions for the forthcoming years becomes imperative for the DCF model. These assumptions, detailed in the following chapter, outline crucial factors for valuation, with supplementary items available for reference in the Appendixes.

6.1.1.1. **2022 Annual Report Outlook**

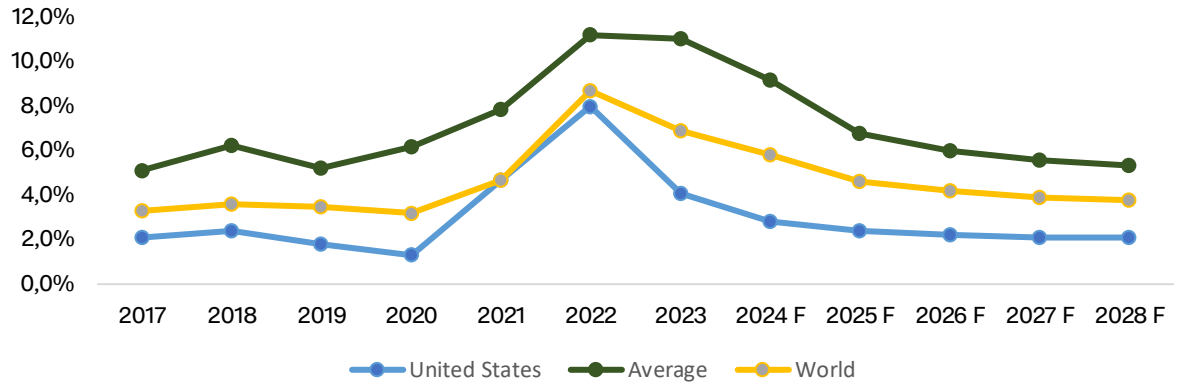
The 2022 McDonald's Report aids in forecasting company's future results for 2023. The following information is given:

1. Anticipated net restaurant unit expansion is forecasted to contribute approximately 1.5% to Systemwide sales growth in 2023, in constant currencies.
2. Projected selling, general, and administrative expenses for the full year 2023 are expected to range between 2.2% and 2.3% of Systemwide sales.
3. The Company aims for a 2023 operating margin of around 45%.
4. Anticipated 2023 interest expense is expected to rise between 10% and 12%, primarily due to higher average interest rates.
5. The effective income tax rate for the full year 2023 is expected to fall within the range of 20% to 22%, with potential quarterly volatility.
6. Capital expenditures for 2023 are estimated to be between $2.2 billion and $2.4 billion, with approximately half allocated to new restaurant unit expansion globally. The Company plans to open about 1,900 restaurants, with over 400 in the U.S. and International Operated Markets, and developmental licensees contributing capital for approximately 1,500 restaurant openings in their respective markets. A net addition of about 1,500 restaurants is expected in 2023.
7. The Company targets a free cash flow conversion rate exceeding 90%.

6.1.1.2. **Revenues**

Company's revenues are significantly impacted by inflation across its geographical sales regions. Inflation forecasts from the International Monetary Fund (IMF) were utilized, with a focus on the United States (being the national market).

Figure 15 – Inflation by Area (2017 – 2028)



Source: IMF

Future McDonald's Corp. revenues were forecasted by considering the distinct geographic and operational distribution of its revenues across three different operations. Factors such as geographical revenue distribution, inflation, and year-on-year revenue growth fed these projections. Moreover, as outlined in the McDonald's 2022 Annual Report, the company anticipates a 1.5% increase in systemwide sales growth for 2023.

While U.S. operations are influenced by U.S. inflation, the International Operated Markets (IOM) and Developmental Licensees (IDL) operate in diverse geographies, subject to varying inflation rates. The assumption for geographical revenue distribution is based on the Historical 5-year average, resulting in a 39% share for the U.S., 52% for IOM, and 9% for IDL operations (Appendix 15).

Figure 16 – Forecasted Revenues per Operator (2023 – 2028)

Revenues per Operator (USD Million)	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F
Sales by Company-Operated restaurants	**9 098**	**9 462**	**9 805**	**10 161**	**10 517**	**10 875**
YoY % + Net restaurant unit expansion (1.5%)	-1%					
GDP Growth based on Geographical Presence %		1%	2%	2%	2%	2%
Inflation based on Geographical Presence %	5%	3%	2%	2%	2%	2%
Forecast Assumption (%)	**4%**	**4%**	**4%**	**4%**	**4%**	**3%**
Revnues from franchised restaurants	**16 216**	**17 116**	**17 941**	**18 792**	**19 648**	**20 519**
YoY % + Net restaurant unit expansion (1.5%)	9%					
GDP Growth based on Geographical Presence %		2%	2%	2%	2%	2%
Inflation based on Geographical Presence %	6%	4%	3%	3%	3%	2%
Forecast Assumption (%)	**15%**	**6%**	**5%**	**5%**	**5%**	**4%**
Other revenues	**348**	**367**	**385**	**403**	**421**	**440**
YoY % + Net restaurant unit expansion (1.5%)	0%					
GDP Growth based on Geographical Presence %		2%	2%	2%	2%	2%
Inflation based on Geographical Presence %	6%	4%	3%	3%	3%	2%
Forecast Assumption (%)	**6%**	**6%**	**5%**	**5%**	**5%**	**4%**

Source: Author

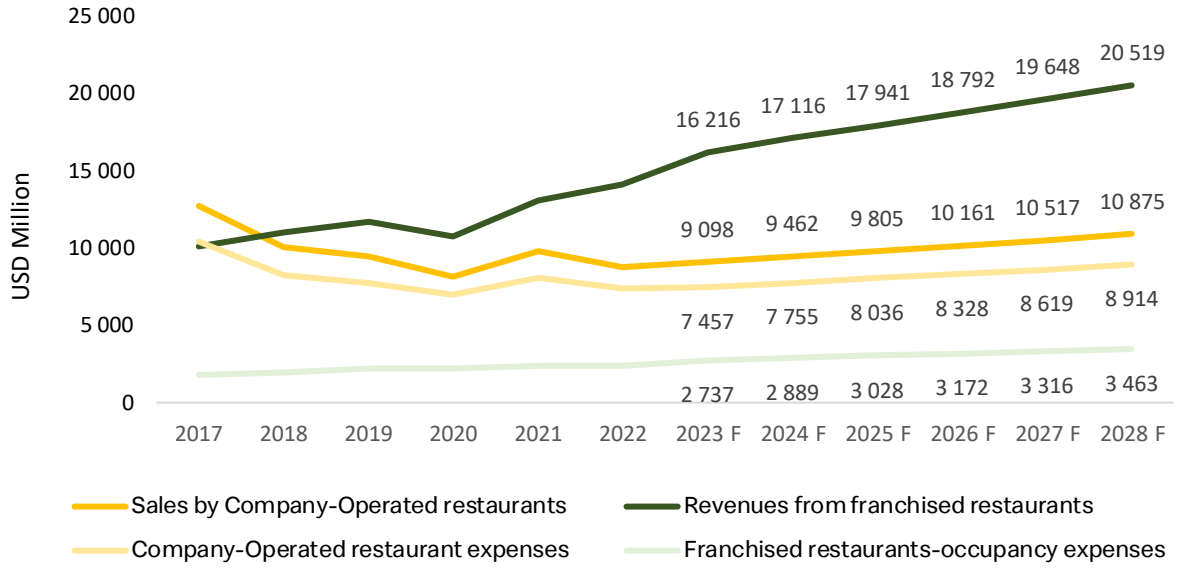
In projecting 2023 revenues, historic 5-year average year-on-year growth, inflation aligned with geographical revenue distribution, and forecasted net restaurant unit expansion by McDonald's Corp were the factors considered.

Looking ahead to 2024 and beyond, geographical GDP growth and geographical inflation were considered. However, it is crucial to acknowledge that assuming a straightforward linear correlation between revenue increase and inflation oversimplifies the scenario. The potential impact of Trade-Down, wherein consumers, often those with lower incomes, opt for more economical alternatives, was considered, with a Trade-Down ratio of 25%.

6.1.1.3. **Costs**

In projecting operating costs and expenses, the methodology used was the historical average percentage of net revenue per operator. Specifically, Company-operated restaurant expenses were estimated at 82%, while Franchised restaurants-occupancy expenses were set at 17%, based on historical average of both operators' revenues.

Figure 17 – Forecasted Revenues & Operating Cost by Operator (2017 – 2028)



Source: Author

This values also come in accordance with the Operating Margin outlook (~45%) presented by McDonald's in its 2022 Annual Report.

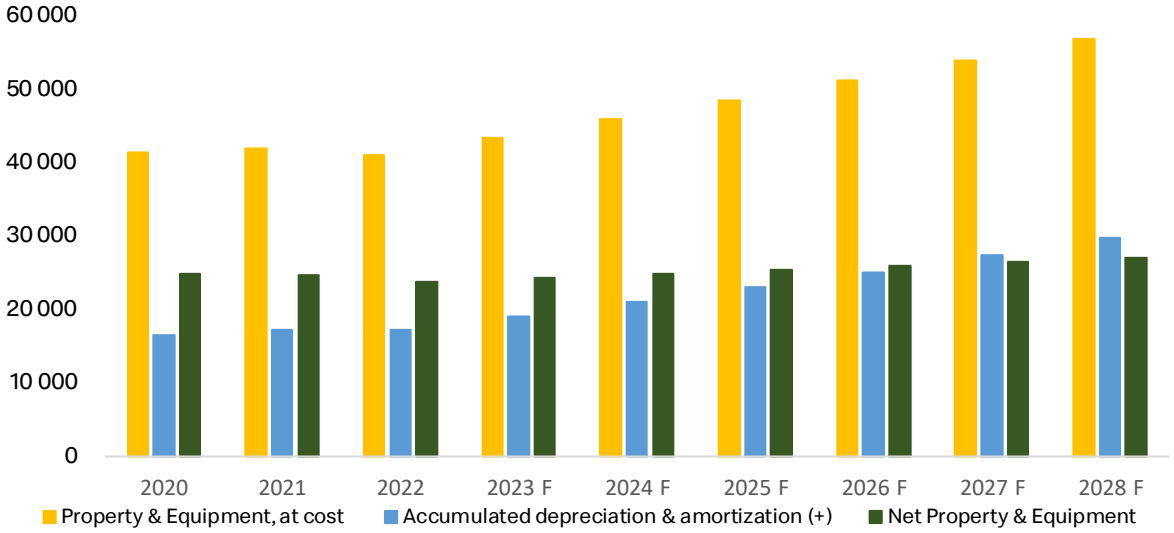
6.1.1.4. **CAPEX, Net Property & Equipment and D&A**

In forecasting CAPEX, the approach involved was the historical 5-year average percentage of Total revenues, which amounted to 9.2%. To calculate Net Property & Equipment, CAPEX was added to the previous year's Property & Equipment at cost (encompassing Land, Improvements in Own and Leased Land, equipment, etc.), with a deduction for Depreciation & Amortization (D&A).

Regarding Depreciation & Amortization (D&A), the approach involved applying the historical average percentage of Property & Equipment for Depreciation, and for Amortization, the historical percentage relationship to Depreciation was used.

The values below corroborate McDonald's current unit expansion strategy and 2022 Annual Report predictions of a CAPEX range between $2.2 and $2.4 billion.

Figure 18 – Forecasted PP&E and D&A (2020 – 2028)



Source: Author

6.1.1.5. **Debt Obligations**

As outlined in the 2022 Annual Report, there are no provisions in the Company's debt obligations that would trigger an accelerated repayment due to changes in credit ratings or material adverse changes in the Company's business. Consequently, the underlying rationale for forecasting future debt obligations centers on stability, adopting assumptions based on the historical average values of Long-term financing issuances and repayments.

McDonald's current borrowing strategy comprises potential public or private offerings of debt securities and direct borrowing from banks or other financial institutions. Both were taken into consideration for the calculation of the Cost of Debt for the Weighted Average Cost of Capital (WACC) determination.

In terms of interest expense, the methodology employed involved using the historical average percentage of EBIT, which was around 13%.

6.1.1.6. **Stock Repurchases & Dividends**

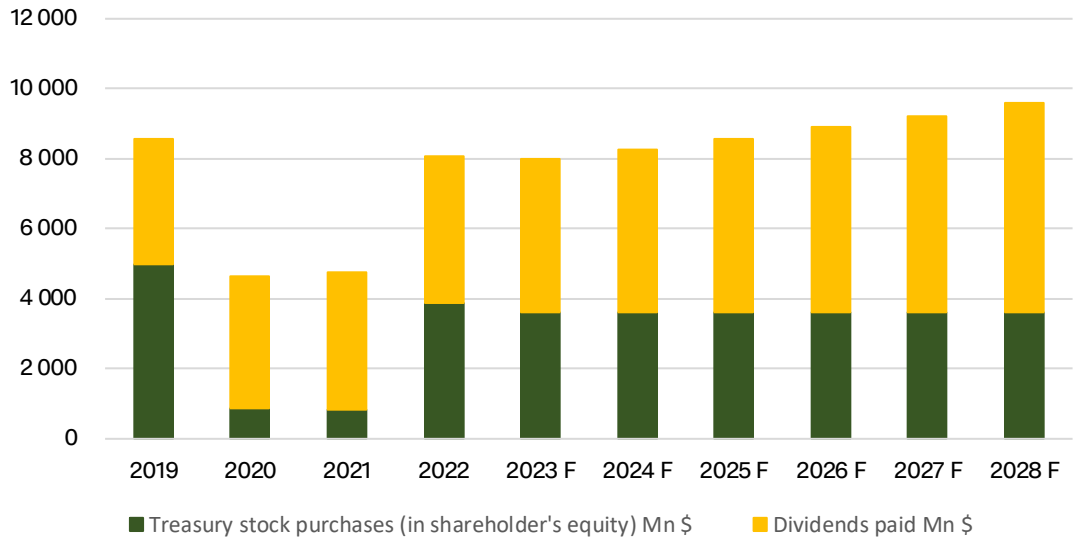
As indicated in the 2022 McDonald's Corp. Annual Report, the Board of Directors authorized a share repurchase program of up to $15 billion, with no specified expiration date. Therefore,

the forecasting assumption was derived from the historical 4-year average of shares repurchased, serving as the annual benchmark for future repurchases.

In addition, McDonald's Corp. boasts a 47-year track record of paying dividends on its common stock, with incremental increases each year. The forecasted dividends payment was based on the year-on-year growth observed in the last 4 years, defining the annual percentage increase.

Given the challenges posed by the pandemic in 2020 and 2021, impacting the company's fund generation capacity, subsequent years are anticipated to witness a steady increase in the total amount returned to shareholders.

Figure 19 – Total Returned to Shareholders (2019 – 2028)



Source: Author

6.1.2. **Discounted Cash Flow Calculation**

With the above-mentioned assumptions, a forward-looking analysis of the financial information becomes possible. It is, however, important to mention that the calculation of cash flows will heavily depend on the preceding assumptions, which are considered to closely align with reality and are grounded in the outlook presented in the 2022 Annual Report.

6.1.2.1. **Free Cash Flow to the Firm (FCFF)**

The initial step in this model involves computing the Free Cash Flow to the Firm (FCFF), determined by the formula outlined in the literature review:

$$\boldsymbol{FCFF = EBIT\ (1 - T) + Depreciation - \Delta\ Net\ Working\ Capital - CAPEX}$$

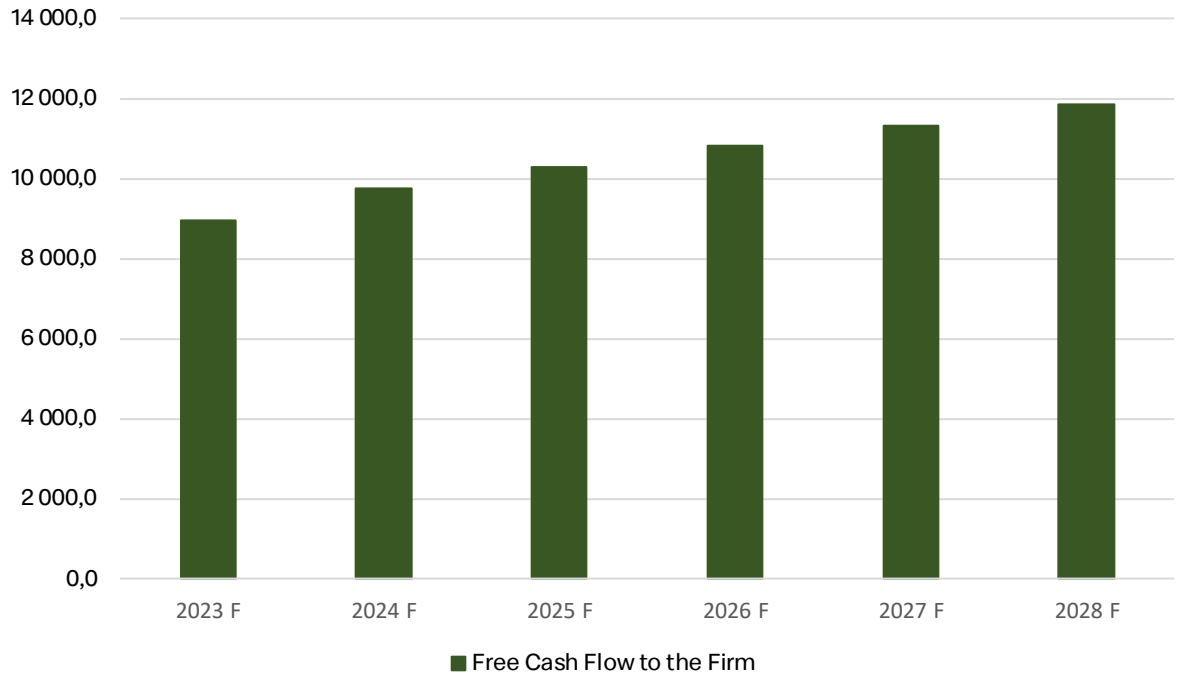
Reiterating information from the 2022 Annual Report, the assumed tax rate is 21%, representing the average value within the specified range outlined in the report (20% to 22%).

With the established tax rate and the other components of the FCFF detailed in the previous chapter, were calculated the projected cash flows for the next 6 years.

As previously mentioned, it is important to emphasize that the Free Cash Flow to the Firm (FCFF) for 2023 and 2024 will not be added to the enterprise value calculations. This exclusion is due to the valuation date being set in December 2024, rendering these values as historical in the assessment.

Figure 20 – Forecasted FCFF (2023 – 2028)

USD million	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Terminal Value
EBIT (1 - T)	9 791,4	10 336,5	10 837,6	11 353,8	11 873,4	12 401,3	12 401,3
Depreciation & Amortization	1 811,0	1 915,4	2 025,0	2 139,4	2 258,9	2 383,3	2 383,3
Δ Net Working Capital	299	11	(23)	(43)	10	(9)	(9)
CAPEX	2 365,8	2 484,0	2 593,3	2 706,3	2 819,7	2 934,8	2 934,8
FCFF	**8 938,0**	**9 756,7**	**10 292,4**	**10 829,5**	**11 302,2**	**11 858,7**	**11 858,7**
Terminal Value							294 394,1
Present Value (PV)			**9 561,4**	**9 345,7**	**9 060,9**	**8 831,9**	**217 916,9**



Source: Author

6.1.2.2. **Weighted Average Cost of Capital (WACC)**

The discount rate, commonly known as the Weighted Average Cost of Capital (WACC), plays an important role in the Discounted Cash Flow (DCF) model. Its accurate determination is critical for ensuring a reliable valuation when using this methodology.

6.1.2.2.1. **Risk-Free Rate (rf)**

A conventional approach to determining the Risk-Free rate involves referencing government bonds, particularly given McDonald's substantial revenue from its primary market, the United States. The 10-year U.S. Treasury yield, retrieved from Bloomberg on the 14th of December, serves as the chosen risk-free rate, standing at 4.00% (Appendix 19). The decision to use the 10-year note is also influenced by the prevalent duration of financial assets in the market, which typically falls within the range of 10 to 15 years.

6.1.2.2.2. **Beta (βi)**

The company's Beta reflects its risk relationship with the market, indicating how the company responds to market fluctuations. A Beta close to 1 signifies that the company's performance mirrors market changes proportionately. A Beta below 1, approaching 0, suggests that the company does not align its direction with the market, while a Beta above 1 indicates a tendency to move in the opposite direction. In this context, McDonald’s Corp. stock is compared to the S&P 500, of which the company is part of.

Two Beta calculation methods were employed for this study: the Fama-French Three Factor model, which incorporates overall market risk, the performance difference between small and large companies, and the performance difference between high-value and low-value companies; and a regression analysis using the adjusted close prices of McDonald’s and the S&P 500 from 2019 to the end of 2023.

For the purpose of employing the CAPM model, the second method was used. The calculated Beta value of 0.73, at 31st December of 2023 (Appendix 20), suggests that McDonald’s does not fully mirror market changes, indicating lower volatility compared to the index, meaning that McDonald’s would be expected to rise by 0.7% on a day when the S&P 500 rises by 1% and fall by 0.7% on a day when the S&P 500 falls by 1%.

6.1.2.2.3. **Market Risk Premium (MRP)**

The Market Risk Premium (MRP) is determined by the difference between the expected market return (Rm) and the risk-free rate (Rf), expressed in the formula:

$$MRP = (Rm - rf)$$

To arrive at this value accurately, it is ideal to calculate an average of equity risk premiums for each country based on their respective percentage contributions. However, due to constraints in calculating this based on each operated country, the approach involved values from Damodaran for the U.S. (national market), International Operated Markets (IOM), and Developmental Licensees (IDL). The values for IOM and IDL were derived through the averaging of countries' values. These values were then applied according to the expected percentage of revenues for each area, resulting in a calculated Market Risk Premium of 5,83% (Appendix 22).

6.1.2.2.4. **Cost of Equity (Ke)**

Utilizing the Capital Asset Pricing Model (CAPM) formula:

$$Ke = rf + \beta i\ (Rm - rf)$$

the Cost of Equity (Ke) was computed at 8.3% (Appendix 23), taking into consideration the information and values obtained in the preceding chapters.

6.1.2.2.5. **Cost of Debt (kd)**

In assessing the Cost of Debt for McDonald's Corp. equity valuation, four computation methods were explored.

Method A considered the interest rates applied by banks when financing McDonald's. Method B, known as the Credit Spread method, factored in the risk-free rate, country-specific Default spread (calculated earlier), and the company's default spread based on its rating according to Damodaran. Method C involved dividing interest expenses by the total debt, while Method D considered all issued notes with specific coupon rates and Yield to Maturity (YTM) to calculate an average Cost of Debt.

Considering that the most significant portion of the company's debt comprises long-term borrowing from banks, Method B was selected for calculating the Cost of Debt (Kd). The computed value using this method is 5.41% (Appendix 24).

6.1.2.3. **Debt/Equity Ratio (D/E) & WACC**

In computing the Weighted Average Cost of Capital (WACC), maintaining an appropriate Debt to Equity Ratio is crucial. The market values of Debt and Equity were determined as of December 2023, assuming that the Equity to Market value structure would remain constant. The calculated weights of Debt and Equity were then applied to all forecasted years.

The Market value of Debt was calculated at $38.999,03 million, using the formula from the literature review, while the market value of Equity amounted to $213.855.37 million (Appendix 25).

This led to a Debt-to-Equity ratio of 18%, slightly below the industry average. According to Damodaran, in the Restaurant/Dining industry, the optimal D/E ratio is 25.73%. It's noteworthy that a more accurate comparison with McDonald's ratio should focus on QSR players rather than the broader restaurant industry.

For a detailed breakdown of WACC calculations, please refer to the appendices. The final WACC value for the upcoming years is computed at 7,65%.

6.1.2.4. **Growth Rate (g)**

The growth rate holds substantial influence over company valuation, requiring careful consideration in computations. As Damodaran (Damodaran, Investment Valuation, 2002) "The constant growth rate should align with or be lower than the overall economic growth rate (Investment Valuation, 2002). Ensuring precision, an analysis of the 2028 inflation rate and GDP growth was conducted, considering McDonald's operator types, operated markets, and their respective revenue weights, as illustrated in the figure below:

Figure 21 – Growth Rate computations based on GDP & Inflation

Growth Rate (chosen):	3,64%

Based on GDP:

Market	% of Net Revenue	Forecasted GDP (2028)	Real GDP Growth Rate
United States	38,71%	2,10%	1,98%
Advanced Economies (IOM)	52,14%	1,70%	
Global (IDL's)	9,15%	3,10%	

Based on Inflation:

Market	% of Net Revenue	Forecasted Inflation (2028)	Inlation Growth Rate
United States	38,71%	2,10%	2,20%
Advanced Economies (IOM)	52,14%	2,00%	
Global (IDL's)	9,15%	3,80%	

Trade-Down Effect
1,65%

Source: Author

Considering McDonald's extensive global operations spanning 92 countries, the growth rate must account for this geographical dispersion. Merely aligning growth with inflation or GDP individually may neglect the nuanced impact of both price fluctuations and cost updates.

In the calculation, the growth rate is derived from a real GDP growth of 1.98%, reflecting McDonald's geographic distribution based on revenue weights. Additionally, an inflationary growth rate, proportional to the revenue weights of the same operations, is considered. However, recognizing that combining both growth rates might imply a static demand over time, a trade-down effect of 1.65% is factored in. This adjustment anticipates consumer behavior shifts toward more affordable options as prices rise.

The selected growth rate, considering these factors, is determined to be 3.64%.

6.1.2.5. **Terminal Value**

The Terminal Value, the final component of the DCF model, needs adjustments to certain parameters established earlier, including the risk-free rate, D/E Ratio, and others. This value represents perpetuity, and accordingly, the risk-free rate is now derived from the U.S. 30 Years Treasury bond.

The Debt and Equity Weight employed aligns with the forecasted years, under the assumption of a constant Debt-to-Equity ratio in the foreseeable future. The EBIT minus Taxes is based on the previous year as well as the D&A. Additionally, the variations in NWC and CAPEX are assumed to be consistent with the values observed in 2028 (Appendix 31).

The formula used to compute the terminal value:

$$\boldsymbol{Terminal\ Value_t = \frac{Free\ Cash\ Flow\ to\ Firm_{t+1}}{k - g}}$$

6.1.2.6. **Enterprise Value & Share Price**

With the completion of all components in the Discounted Cash Flow analysis, the enterprise value of McDonald's on the 31st of December 2024, is determined to be $254.676,46 million (Appendix 33). Subsequently, to obtain the Equity Value, the Net Debt, representing the company's debt on this date minus the forecasted Cash & Equivalents for 2024, is deducted. The resulting Equity Value is $220.685,16 million. When divided by the forecasted outstanding shares as of December 2024, the corresponding share price is $310,18. This value presents an upside potential of **4,61%** compared to the price on the 31st of December 2023.

Figure 22 – McDonald's Corporation Enterprise Value

Enterprise Value	USD million
Terminal Growth Rate (g)	3,64%
Perpetuity WACC (k)	7,8%
Terminal Value	294 348,7
PV of Terminal Value	217 878,1
PV of FCFF	36 799,4
Enterprise Value	**254 677,47**

DCF - Price Target	USD million
Enterprise Value	254 677,47
Net Debt	33 991,30
Equity Value	220 686,17
Shares Outstanding at year end	711,48
Equity Value p/ Share	310,18
F 31st December 2024 Price	310,18
31st December 2023 Price	296,51
Upside Potential	**4,61%**

Source: Author

6.1.2.7. **Sensitivity Analysis**

The Terminal Value holds the most significant weight in the DCF, constituting 86% of the enterprise value in this valuation. To assess the robustness of this evaluation, a sensitivity analysis was performed, focusing on the variables of WACC and Growth rate, given their pivotal roles as drivers for the terminal value.

The sensitivity analysis involves WACC variations within 0,1%, while the terminal growth rate experiences fluctuations of 0,5%. Notably, the growth rate exhibits a broader range of variation due to its conservative influence on the model.

Figure 23 – Terminal Value Sensitivity Analysis

		WACC (k)						
		7,5%	7,6%	7,7%	**7,8%**	7,9%	8,0%	8,1%
Terminal Growth Rate (g)	2,14%	225 328	221 212	217 245	213 417	209 721	206 152	202 702
	2,64%	249 653	244 635	239 815	235 181	230 723	226 431	222 295
	3,14%	279 538	273 292	267 319	261 601	256 123	250 869	245 827
	3,64%	317 135	309 158	301 572	294 349	287 464	280 894	274 617
	4,14%	365 871	355 344	345 405	336 007	327 106	318 665	310 649
	4,64%	431 558	417 053	403 491	390 784	378 853	367 628	357 050
	5,14%	524 898	503 692	484 133	466 037	449 244	433 620	419 046
	Δ	299 570	282 480	266 889	252 620	239 523	227 468	216 344
					254 985			

Source: Author

6.2. Dividend Discount Model (DDM) Valuation Method

To provide a comparative perspective, an additional valuation model, the Dividend Discount Model (DDM), was employed alongside the primary Discounted Cash Flow (DCF) model.

In the context of the Dividend Discount Model (DDM), the cost of Equity (Ke), sourced from the Discounted Cash Flow (DCF) model, is established at 8.3%. As previously discussed, the assumptions for Dividends paid and Treasury Stock repurchases are grounded in the 4-year average year-on-year growth and total stock repurchases, respectively.

Anticipating a forecasted total return to shareholders of $8.280 million in 2024, the presumption is that the company will maintain this shareholder return policy in the foreseeable future.

The resultant per share price is calculated at $245,9 per share on the 31st of December 2024. Notably, this valuation indicates a downside potential of 17,1% (Appendix 37). In contrast to

the DCF model, the DDM (Appendix 36) suggests a sell recommendation based on this analysis alone.

Figure 24 – Dividend Discount Model on McD Stock

Dividend Discount Model (USD million)	2024 F
Dividends	4 684
Stock Repurchases	3 595
DPS	11,37
Cost of Equity Ke	8,3%
Perpetual Growth Rate	3,6%

Enterprise Value	USD million
Equity Value per Share	245,9
F 31st December 2024 Price	245,9
31st December 2023 Price	296,5
Downside Potential	**-17,1%**

Source: Author

As mentioned in the literature review, this model relies solely on the cost of equity and the distributed dividends, making it less suitable for valuing larger and more complex companies. Additionally, even though stock repurchases have been considered, if the combined total of dividends and stock repurchases falls below the total Free Cash Flows to Equity, the DDM model may result in an undervaluation of the stock.

7. Comparison with Evercore’s Valuation

Evercore, an independent investment banking advisory firm, released a valuation for McDonald’s Corporation on January 5, 2024, with a revised price target from $315 to $330 per share. Maintaining an "Outperform" rating, Evercore's optimistic assessment is based on a discounted cash flow (DCF) analysis, resulting in 26x 2024 EPS and 24x 2025 EPS. The adjustment reflects higher estimates, driven by reduced foreign exchange headwinds in the short term and anticipated long-term growth from an acceleration in unit growth.

In comparison, the present model indicates a target price of $310.18 per share. While Evercore emphasizes McDonald's sustained outperformance in same-store sales (SSS) growth and predicts an operating profit growth of 8%, while also accelerating unit growth, the present valuation offers a slightly more conservative outlook with a 5.5% growth prediction. Both perspectives recognize McDonald's quality positioning and potential for shareholder returns, with a nuanced difference in the estimated price per share.

8. Conclusion

In accordance with the DCF model, the calculated value for the company's shares on the 31st of December 2024 is $310,18 per share, indicating favorable potential for an increase, especially considering the share value on the same date of the previous year was $296,51. Nevertheless, considering that the potential upside (4.61%) falls short of the common minimum investor's threshold (~15%), it is advisable to maintain a Hold position on McDonald's Corp. stock.

The Dividend Discount Model, however, yielded results significantly divergent from the prior analysis. Given its constraints, the conclusions derived from this analysis fall behind those of the DCF analysis.

Upon completing various computations and conducting a sensitivity analysis, it becomes evident how complex and sensitive a valuation model can be. Every numerical input, component, or assumption plays a crucial role in influencing the final valuation of the company under scrutiny.

It is imperative to acknowledge the significance of the chosen valuation method, as it holds considerable weight in the valuation outcome.

These valuations, typically conducted to aid the company and other stakeholders in making future financial decisions, can be subject to bias or influence based on the analyst performing the evaluation. However, when components are thoroughly reviewed and discussed across multiple methods with precise justifications, the valuations become meaningful for the company's board and other stakeholders.

In conclusion, while recognizing the potential influence or inaccuracies in some components, considering the available information, it can be asserted that McDonald's is a valuable and consistently expanding enterprise, offering a promising investment prospect worth monitoring in the years ahead.

9. List of Appendixes

Appendix 1 – Balance Sheet

Consolidated Statement of Financial Position

Balance Sheet (in USD million)	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F
Current assets:										
Cash & cash equivalents	899	3 449	4 709	2 584	3 377	3 422	3 314	4 510	6 206	8 113
Accounts & notes receivable	2 224	2 110	1 872	2 115	2 484	2 609	2 723	2 842	2 961	3 082
Inventories at cost, not in excess of market	50	51	56	52	62	65	68	71	74	77
Prepaid expenses & other current assets	385	633	511	673	656	689	719	751	782	814
Total current assets	**3 558**	**6 243**	**7 149**	**5 424**	**6 579**	**6 785**	**6 824**	**8 174**	**10 023**	**12 085**
Other assets:										
Investments in and advances to affiliates	1 270	1 297	1 201	1 065	1 208	1 208	1 208	1 208	1 208	1 208
Goodwill	2 677	2 773	2 783	2 900	3 313	3 478	3 631	3 789	3 948	4 109
Miscellaneous	2 584	3 527	4 450	4 707	4 497	4 721	4 929	5 144	5 359	5 578
Total other assets	**6 532**	**7 598**	**8 433**	**8 672**	**9 017**	**9 408**	**9 769**	**10 141**	**10 516**	**10 895**
Lease right-of-use, net	**13 261**	**13 828**	**13 552**	**12 566**	**12 849**	**13 138**	**13 433**	**13 736**	**14 045**	**14 361**
Property and equipment, at cost	39 051	41 477	41 917	41 038	43 403	45 887	48 481	51 187	54 007	56 941
Accumulated depreciation & amortization	(14 891)	(16 518)	(17 196)	(17 264)	(19 075)	(20 990)	(23 015)	(25 155)	(27 414)	(29 797)
Net property & equipment	**24 160**	**24 958**	**24 721**	**23 774**	**24 328**	**24 897**	**25 465**	**26 032**	**26 593**	**27 145**
Total assets	**47 511**	**52 627**	**53 854**	**50 436**	**56 941**	**55 948**	**54 521**	**54 511**	**54 492**	**54 309**
Current liabilities:										
Accounts payable	988	741	1 007	980	975	1 018	1 059	1 101	1 143	1 186
Lease liability	621	702	706	661	708	740	769	800	830	861
Income taxes	332	741	361	275	420	443	464	486	509	531
Other taxes	248	227	237	255	254	265	276	287	298	309
Accrued interest	338	388	363	393	390	407	423	440	457	474
Accrued payroll & other liabilities	1 036	1 138	1 347	1 237	1 248	1 304	1 356	1 410	1 464	1 518
Current maturities of long-term debt	59	2 244	0	0	2 644	3 301	3 159	2 709	2 803	2 923
Total current liabilities	**3 621**	**6 181**	**4 020**	**3 802**	**3 995**	**4 178**	**4 348**	**4 524**	**4 700**	**4 879**
Long-term debt	34 118	35 197	35 623	35 904	36 902	37 030	36 771	37 398	37 922	38 247
Long-term lease liability	12 758	13 321	13 020	12 134	13 431	13 478	13 384	13 612	13 802	13 921
Long-term income taxes	2 266	1 971	1 897	792	2 505	2 643	2 770	2 901	3 034	3 168
Deferred revenues - initial franchise fees	661	702	738	758	806	847	890	936	984	1 035
Other long-term liabilities	980	1 054	1 082	1 052	1 938	1 945	1 931	1 964	1 992	2 009
Deferred income taxes	1 318	2 026	2 076	1 998	2 661	2 808	2 943	3 083	3 224	3 365
Total liabilities	**55 721**	**60 452**	**58 455**	**56 439**	**62 238**	**62 929**	**63 037**	**64 418**	**65 658**	**66 623**
Shareholders' equity (deficit)										
Preferred stock, no par value;	0	0	0	0	0	0	0	0	0	0
Common stock, $.01 par value;	17	17	17	17	17	17	17	17	17	17
Additional paid-in capital	7 654	7 904	8 232	8 547	8 868	9 201	9 546	9 904	10 276	10 662
Retained earnings	52 931	53 908	57 535	59 544	60 093	60 833	61 707	62 713	63 836	65 059
Accumulated other comprehensive income (loss)	(2 483)	(2 587)	(2 574)	(2 487)	(2 532)	(2 532)	(2 532)	(2 532)	(2 532)	(2 532)
Common stock in treasury, at cost; (929,3M)	(66 329)	(67 066)	(67 810)	(71 624)	(71 743)	(74 498)	(77 253)	(80 008)	(82 763)	(85 518)
Total shareholders' equity	**(8 210)**	**(7 825)**	**(4 601)**	**(6 003)**	**(5 298)**	**(6 980)**	**(8 516)**	**(9 907)**	**(11 167)**	**(12 314)**
Total liabilities and shareholders' equity	**47 511**	**52 627**	**53 854**	**50 436**	**56 940**	**55 949**	**54 521**	**54 511**	**54 491**	**54 309**
Verification	0	0	0	0	0	0	0	0	0	0

Appendix 2 – Income Statement

Consolidated Income Statement

P&L (in USD million)	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F
Revenues										
Sales by Company-Operated restaurants	9 421	8 139	9 787	8 748	9 098	9 462	9 805	10 161	10 517	10 875
Revnues from franchised restaurants	11 656	10 726	13 085	14 106	16 216	17 116	17 941	18 792	19 648	20 519
Other revenues	0	343	351	329	348	367	385	403	421	440
Total revenues	**21 077**	**19 208**	**23 223**	**23 183**	**25 662**	**26 944**	**28 131**	**29 356**	**30 586**	**31 834**
Operating costs & expenses										
Company-operated restaurant expenses	7 761	6 981	8 047	7 381	7 457	7 755	8 036	8 328	8 619	8 914
Franchised restaurants-occupancy expenses	2 201	2 208	2 335	2 350	2 737	2 889	3 028	3 172	3 316	3 463
Other restaurant expenses	0	267	260	245	166	174	182	190	198	206
Selling, general & administrative expenses										
Depreciation & amortization	229	301	330	370	364	382	399	416	434	451
Other	2 000	2 245	2 378	2 492	2 320	2 436	2 543	2 654	2 765	2 878
Other operating (income) expense, net	(184)	(118)	(483)	974	224	224	224	224	224	224
Total other expenses	2 045	2 695	2 485	4 081	3 074	3 216	3 348	3 484	3 621	3 759
Total operating costs and expenses	**12 007**	**11 884**	**12 867**	**13 812**	**13 268**	**13 860**	**14 412**	**14 984**	**15 557**	**16 136**
Operating income - EBIT	**9 070**	**7 324**	**10 356**	**9 371**	**12 394**	**13 084**	**13 718**	**14 372**	**15 030**	**15 698**
Interest expense	1 122	1 218	1 186	1 207	1 653	1 745	1 829	1 916	2 004	2 093
Nonoperating (income) expense, net	(70)	(35)	42	339	(78)	(78)	(76)	(77)	(80)	(78)
Income before provision for income taxes	**8 018**	**6 141**	**9 128**	**7 825**	**10 819**	**11 417**	**11 965**	**12 533**	**13 106**	**13 682**
Provison for income taxes	1 993	1 410	1 583	1 648	2 272	2 398	2 513	2 632	2 752	2 873
Net income	**6 025**	**4 731**	**7 545**	**6 177**	**8 547**	**9 020**	**9 452**	**9 901**	**10 354**	**10 809**
Earning per common share-diluted	**7,9**	**6,3**	**10,0**	**8,3**	**11,8**	**12,6**	**13,4**	**14,2**	**15,1**	**15,9**
Dividends declared per common share	**4,7**	**5,0**	**5,3**	**5,7**	**6,1**	**6,6**	**7,1**	**7,7**	**8,3**	**8,9**
Weighted-average shares outstanding-diluted	**765**	**750**	**752**	**741**	**727**	**717**	**707**	**697**	**688**	**678**

Appendix 3 – Statement of Cash Flows

Consolidated Statement of Cash Flows

CF (in USD million)	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F
Net Income	6 025	4 731	7 545	6 177	8 547	9 020	9 452	9 901	10 354	10 809
Charges & credits:										
Depreciation & Amortization	1 618	1 751	1 868	1 871	1 811	1 915	2 025	2 139	2 259	2 383
Deferred income taxes	150	6	(428)	(346)	(154)	(231)	(290)	(255)	(232)	(252)
Share-based compensation	110	92	139	167	127	131	141	142	135	137
Net (gain) loss on sale of restaurant & other business	(128)	(28)	(98)	733	(85)	(70)	(84)	(80)	(80)	(80)
Other	49	(75)	(339)	(570)	(234)	(305)	(362)	(368)	(317)	(338)
Changes in working capital items:										
Accounts receivable	27	(7)	310	(264)	369	124	115	119	119	121
Inventories, prepaid expenses & other current assets	129	(69)	(62)	6	1	(31)	(22)	(12)	(16)	(20)
Accounts payable	(27)	(138)	225	31	(5)	44	41	42	42	43
Income taxes	173	(44)	(303)	(547)	(180)	(268)	(324)	(330)	(276)	(299)
Other accrued liabilities	(4)	44	284	129	113	143	167	138	140	147
Cash provided by operations	**8 122**	**6 266**	**9 141**	**7 386**	**10 311**	**10 472**	**10 859**	**11 437**	**12 129**	**12 651**
CAPEX	(2 394)	(1 641)	(2 040)	(1 899)	(2 366)	(2 484)	(2 593)	(2 706)	(2 820)	(2 935)
Purchases of restaurant business	(541)	(66)	(374)	(807)	(513)	(539)	(563)	(587)	(612)	(637)
Sales of restaurant & other businesses	341	76	196	446	307	322	336	351	366	381
Sales of property	151	27	106	39	95	100	104	109	114	118
Other	(629)	57	(54)	(457)	(270)	(181)	(240)	(287)	(245)	(238)
Cash used for investing activities	**(3 071)**	**(1 546)**	**(2 166)**	**(2 678)**	**(2 748)**	**(2 782)**	**(2 956)**	**(3 121)**	**(3 197)**	**(3 311)**
Net short-term borrowings	799	(893)	15	26	999	128	(259)	627	524	325
Long-term financing issuances	4 499	5 543	1 154	3 375	3 643	3 429	2 900	3 336	3 327	3 248
Long-term financing repayments	(2 062)	(2 412)	(2 240)	(2 202)	(2 644)	(3 301)	(3 159)	(2 709)	(2 803)	(2 923)
Treasury stock purchases	(4 976)	(908)	(846)	(3 896)	(3 595)	(3 595)	(3 595)	(3 595)	(3 595)	(3 595)
Common stock dividends	(3 582)	(3 753)	(3 919)	(4 168)	(4 403)	(4 403)	(4 403)	(4 403)	(4 403)	(4 403)
Proceeds from stock option exercises	351	296	286	248	268	268	268	268	268	268
Other	(24)	(122)	(47)	38	(39)	(42)	(22)	(16)	(30)	(28)
Cash used for financing activities	**(4 995)**	**(2 249)**	**(5 596)**	**(6 580)**	**(6 770)**	**(7 645)**	**(8 012)**	**(7 119)**	**(7 236)**	**(7 433)**
Effect of exchange rates on cash & equivalents	(24)	80	(120)	(254)	(79)	(93)	(137)	(141)	(113)	(121)
Cash & equivalents increase (decrease)	**32**	**2 551**	**1 260**	**(2 126)**	**793**	**45**	**-108**	**1 197**	**1 695**	**1 907**
Cash & equivalents at beginning of year	866	899	3 449	4 709	2 584	3 377	3 422	3 314	4 510	6 206
Cash & equivalents at end of year	**898**	**3 450**	**4 709**	**2 583**	**3 377**	**3 422**	**3 314**	**4 510**	**6 206**	**8 113**

Appendix 4 – Assumptions Balance Sheet

Balance Sheet	Unit	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Assumption
Current assets:								
Cash & cash equivalents	**Mn $**	3 422	3 314	4 510	6 206	8 113	0	See Cash Flow Statment computations
Accounts & notes receivable	**% of Total Revenues**	9,7%	9,7%	9,7%	9,7%	9,7%	9,7%	Historical 4-Year average (2019-2022)
Inventories at cost, not in excess of market	**% of Total Revenues**	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	Historical 4-Year average (2019-2022)
Prepaid expenses & other current assets	**% of Total Revenues**	2,6%	2,6%	2,6%	2,6%	2,6%	2,6%	Historical 4-Year average (2019-2022)
Total current assets								
Other assets:								
Investments in and advances to affiliates	**Mn $**	1 208	1 208	1 208	1 208	1 208	1 208	Historical 4-Year average (2019-2022)
Goodwill	**% of Total Revenues**	12,9%	12,9%	12,9%	12,9%	12,9%	12,9%	Historical 4-Year average (2019-2022)
Miscellaneous	**Mn $**	17,5%	17,5%	17,5%	17,5%	17,5%	17,5%	Historical 4-Year average (2019-2022)
Total other assets								
Lease right-of-use, net	**Assets Growth %**	2,3%	2,3%	2,3%	2,3%	2,3%	2,3%	McDonad's Corp. 10-k Report (2022) - Page 22 "… Lease right-of-u
Property and equipment, at cost	**Mn $**	43 403	45 887	48 481	51 187	54 007	56 941	McDonad's Corp. 10-k Report (2022) - Page 49
Accumulated depreciation & amortization	**Mn $**	(19 075)	(20 990)	(23 015)	(25 155)	(27 414)	(29 797)	McDonad's Corp. 10-k Report (2022) - Page 42
Net property & equipment								
Total assets								
Current liabilities:								
Accounts payable	**% of Operating Costs & Expenses**	7,3%	7,3%	7,3%	7,3%	7,3%	7,3%	Historical 4-Year average (2019-2022)
Lease liability	**% of Operating Costs & Expenses**	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	Historical 4-Year average (2019-2022)
Income taxes	**%**	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	Calculated through 2022 effective tax rate. McDonad's Corp. 10-k R
Income taxes	**% of Net Income**	4,9%	4,9%	4,9%	4,9%	4,9%	4,9%	Historical 4-Year average (2019-2022), excluding 2020
Other taxes	**% of Operating Costs & Expenses**	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%	Historical 4-Year average (2019-2022)
Accrued interest	**% of Operating Costs & Expenses**	2,9%	2,9%	2,9%	2,9%	2,9%	2,9%	Historical 4-Year average (2019-2022)
Accrued payroll & other liabilities	**% of Operating Costs & Expenses**	9,4%	9,4%	9,4%	9,4%	9,4%	9,4%	Historical 4-Year average (2019-2022)
Total current liabilities								
Long-term debt	**Mn $**	36 902	37 030	36 771	37 398	37 922	38 247	See Other Assumptions "Debt & Interest".
Long-term lease liability	**% of Long-term Debt**	36,4%	36,4%	36,4%	36,4%	36,4%	36,4%	Historical 4-Year average (2019-2022). McDonad's Corp. 10-k Repo
Long-term income taxes	**% of Net Income**	29,3%	29,3%	29,3%	29,3%	29,3%	29,3%	Historical 4-Year average (2019-2022), excluding 2020
Deferred revenues - initial franchise fees	**YoY (%)**	6,3%	5,1%	5,1%	5,1%	5,1%	5,1%	Historical 4-Year average (2019-2022) + 1.5% Unit Expansion
Other long-term liabilities	**% of Long-term Debt**	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	Historical 4-Year average (2019-2022)
Deferred income taxes	**% of Net Income**	31,1%	31,1%	31,1%	31,1%	31,1%	31,1%	Historical 4-Year average (2019-2022)
Total liabilities								
Shareholders' equity (deficit)								
Preferred stock, no par value;	**Mn $**	0	0	0	0	0	0	Assuming 2022 nominal value
Common stock, $.01 par value;	**Mn $**	17	17	17	17	17	17	Assuming 2022 nominal value
Additional paid-in capital	**YoY (%)**	3,8%	3,8%	3,8%	3,8%	3,8%	3,8%	Historical 4-Year average (2019-2022) Paid-in Capital Growth
Retained earnings	**Mn $**	60 093	60 833	61 707	62 713	63 836	65 059	Retained Earnings Formula: RE t-1 + Net Income t - Dividends Paid
Accumulated other comprehensive income (loss)		(2 532)	(2 532)	(2 532)	(2 532)	(2 532)	(2 532)	Historical 4-Year average (2019-2022) Paid-in Capital Growth
Common stock in treasury, at cost;	**Mn $**	71 743	74 498	77 253	80 008	82 763	85 518	Equal to 2022 nominal value.
Total shareholders' equity	**Mn $**							
Total liabilities and shareholders' equity	**Mn $**							

Appendix 5 – Assumptions Income Statement

P&L (in USD million)	Unit	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Assumption
Revenues								
Sales by Company-Operated restaurants	**YoY (%)**	4%	4,0%	3,6%	3,6%	3,5%	3,4%	
Revnues from franchised restaurants	**YoY (%)**	15,0%	5,5%	4,8%	4,7%	4,6%	4,4%	
Other revenues	**YoY (%)**	5,7%	5,5%	4,8%	4,7%	4,6%	4,4%	
Total revenues	**YoY (%)**	**10,7%**	**5,0%**	**4,4%**	**4,4%**	**4,2%**	**4,1%**	Tab "Revenues & Cost of Sales"
Operating costs & expenses								
Company-operated restaurant expenses	**YoY (%)**	1,0%	4,0%	3,6%	3,6%	3,5%	3,4%	
Franchised restaurants-occupancy expenses	**YoY (%)**	16,5%	5,5%	4,8%	4,7%	4,6%	4,4%	
Other restaurant expenses	**YoY (%)**	-32,2%	5,0%	4,4%	4,4%	4,2%	4,1%	
Selling, general & administrative expenses	**% of systemwide sales**	2,3%	2,4%	2,4%	2,4%	2,4%	2,4%	McDonad's Corp. 10-k Report (2022) - Page 10 "The Company expectsfull year 2(
Depreciation & amortization	**% of S,G&A**	1,4%	1,4%	1,4%	1,4%	1,4%	1,4%	Assuming 4 Year Historical Average of % of Revenues (2019-2022).
Other	**% of S,G&A**	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	Assuming 4 Year Historical Average of % of Revenues (2019-2022).
Other operating (income) expense, net	**Mn $**	224	224	224	224	224	224	Historical 4-Year average (2019-2022)
Total other expenses								
Total operating costs and expenses	**YoY (%)**	**-6,2%**	**4,5%**	**4,0%**	**4,0%**	**3,9%**	**3,8%**	
Operating Income - EBIT	**YoY (%)**	**35,6%**	**5,5%**	**4,8%**	**4,7%**	**4,5%**	**4,4%**	
Interest expense	**Mn $**	1 653	1 745	1 829	1 916	2 004	2 093	See Further Assumptions. McDonald's Corporation Annual Report (2022) - Page 1(
Nonoperating (income) expense, net	**Mn $**	(78)	(78)	(76)	(77)	(80)	(78)	See Further Assumptions. McDonald's Corporation Annual Report (2022) - Page 1!
Income before provision for income taxes	**Mn $**	**38,3%**	**5,5%**	**4,8%**	**4,7%**	**4,6%**	**4,4%**	
Tax Rate	**(%)**	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	McDonald's Corporation Annual Report (2022) - Page 10
Provison for income taxes	**Mn $**	2 272	2 398	2 513	2 632	2 752	2 873	
Net income	**YoY (%)**	**38,4%**	**5,5%**	**4,8%**	**4,7%**	**4,6%**	**4,4%**	
Earning per common share-diluted	**Mn $**	**11,8**	**12,6**	**13,4**	**14,2**	**15,1**	**15,9**	McDonald's Corporation Annual Report (2022) - Page 12
Dividends declared per common share	**$**	**6,1**	**6,6**	**7,1**	**7,7**	**8,3**	**8,9**	2 positive influences on the Dividend increase: % Increase of the Dividend amout p
Dilutive effective of share based compensation	**Mn $**	5	5	5	5	5	5	2022 - 4,8; 2021 - 5,5; 2020 - 5,5. McDonald's Corporation Annual Report (2022) -
Weighted-average shares outstanding-dilute	**Mn $**	**727**	**717**	**707**	**697**	**688**	**678**	

Appendix 6 – Assumptions Investing Activities

Investing Activities	Unit	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Assumptions
Capital Expenditures	**Mn $**	(2 394)	(1 641)	(2 040)	(1 899)	(2 366)	(2 484)	(2 593)	(2 706)	(2 820)	(2 935)	McDonad's Corp. 10-k Report (2022) - Page 10 "The Company
% of Net Revenue	**% of Total Revenues**	11,36%	8,54%	8,78%	8,19%							
Forecast Assumption (2023-2028)	**%**				**9,2%**							Assuming 4 Year Historical Average of % of Net Revenues (2019-2022
Purchases of restaurant business	**Mn $**	(541)	(66)	(374)	(807)	(513)	(539)	(563)	(587)	(612)	(637)	
% of Net Revenue	**% of Total Revenues**	2,57%	0,34%	1,61%	3,48%							
Forecast Assumption (2023-2028)	**%**				**2,0%**							Assuming 4 Year Historical Average of % of Net Revenues (2019-2022
Sales of restaurant & other businesses	**Mn $**	341	76	196	446	307	322	336	351	366	381	
% of Net Revenue	**% of Total Revenues**	1,62%	0,40%	0,84%	1,92%							
Forecast Assumption (2023-2028)	**%**				**1,2%**							Assuming 4 Year Historical Average of % of Net Revenues (2019-2022
Sales of property	**Mn $**	151	27	106	39	95	100	104	109	114	118	
% of Net Revenue	**% of Total Revenues**	0,72%	0,14%	0,46%	0,17%							
Forecast Assumption (2023-2028)	**%**				**0,4%**							Assuming 4 Year Historical Average of % of Net Revenues (2019-2022
Other	**Mn $**	(629)	57	(54)	(457)	(270)	(181)	(240)	(287)	(245)	(238)	Assuming 4 Year Historical Average
Total	**Mn $**	**(3 071)**	**(1 546)**	**(2 166)**	**(2 678)**	**(2 748)**	**(2 782)**	**(2 956)**	**(3 121)**	**(3 197)**	**(3 311)**	

Appendix 7 – Assumptions Depreciation & Amortization

Depreciation & Amortization	Unit	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Assumptions
Depreciation (PP&E)	**Mn $**		1 469	1 530	1 454	1 469	1 553	1 642	1 735	1 832	1 933	Assuming 3 Years Historical average of Depreciation of PP&E -
Depreciation rate (PP&E)	**% of PP&E**		3,54%	3,65%	3,54%							McDonad's Corp. 10-k Report (2022) - Page 42 "Depreciation and
Forecast Depreciation rate (PP&E)	**%**				**3,58%**							Assuming 3 Year Historical Average of % of PP&E Expenditures (2020
Amortization (Capitalized Software)	**Mn $**		282	338	417	342	362	383	404	427	451	
Forecast Depreciation rate (Capitalized Software)	**%**		19%	22%	29%							Assuming a % relation to Depreciation (PP&E) | McDonad's Corp. 10-k
Forecast Assumption (2023-2028)	**%**				**23,31%**							Assuming 3 Year Historical Average of % relation to Capital Expenditu
Total Depreciation & Amortization	**Mn $**	**1 618**	**1 751**	**1 868**	**1 871**	**1 811**	**1 915**	**2 025**	**2 139**	**2 259**	**2 383**	

Appendix 8 – Assumptions Plant, Property & Equipment

Property & Equipment	Unit		2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Assumptions
Land	**Mn $**		6 349	6 488	6 686							
Buildings & Improvements on Own Land	**Mn $**		18 219	18 666	18 934							
Buildings & Improvements on Leased Land	**Mn $**		13 365	13 283	12 492							
Equipment, Signs & Seating	**Mn $**		3 119	3 032	2 499							
Other	**Mn $**		425	448	427							
Property & Equipment, at cost	**Mn $**		41 477	41 917	41 038	43 403	45 887	48 481	51 187	54 007	56 941	Formula Used: Gross Value P&E(t+1) = Gross Value P&E(t) + Capex I
Accumulated depreciation & amortization	**Mn $**		(16 518)	(17 196)	(17 264)	(19 075)	(20 990)	(23 015)	(25 155)	(27 414)	(29 797)	Formula Used: Accumulated D&Amortization P&E(t+1) = Acc. D&A I
Net Property & Equipment	**Mn $**		**24 958**	**24 721**	**23 774**	**24 328**	**24 897**	**25 465**	**26 032**	**26 593**	**27 145**	

Appendix 9 – Assumptions Net Working Capital

NWC (USD Million)	Unit	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Assumptions
Changes in working capital items:												
Accounts receivable, net	**Mn $**	27	(7)	310	(264)	369	124	115	119	119	121	
Inventories, prepaid expenses & other current assets	**Mn $**	129	(69)	(62)	6	1	(31)	(22)	(12)	(16)	(20)	Historical 4-Year average (2019-2022)
Accounts payable	**Mn $**	(27)	(138)	225	31	(5)	44	41	42	42	43	
Income taxes	**Mn $**	173	(44)	(303)	(547)	(180)	(268)	(324)	(330)	(276)	(299)	Historical 4-Year average (2019-2022)
Other accrued liabilities	**Mn $**	(4)	44	284	129	113	143	167	138	140	147	Historical 4-Year average (2019-2022)
Δ NWC	**Mn $**	**299**	**(212)**	**454**	**(645)**	**299**	**11**	**(23)**	**(43)**	**10**	**(9)**	

Appendix 10 – Assumptions Debt & Interest

Debt & Interests	Unit	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Assumptions
Long-term financing issuances	Mn $	4 499	5 543	1 154	3 375	3 643	3 429	2 900	3 336	3 327	3 248	Historical 4-Year average (2019-2022)
Long-term financing repayments	Mn $	(2 062)	(2 412)	(2 240)	(2 202)	(2 644)	(3 301)	(3 159)	(2 709)	(2 803)	(2 923)	McDonad's Corp. 10-k Report (2017 & 2020) + Historical 5-Year
Long-Term Debt	**Mn $**	**34 118**	**35 197**	**35 623**	**35 904**	**36 902**	**37 030**	**36 771**	**37 398**	**37 922**	**38 247**	Long-Term Debt will be assumed as Long-Term Debt t-1 + Forecasted I
Interest Expense	Mn $	1122	1218	1186	1207	1 653	1 745	1 829	1 916	2 004	2 093	McDonad's Corp. 10-k Report (2020) - Page 10 "…the Company expec
Interest Expense	% of EBIT	12,4%	16,6%	11,5%	12,9%	13,3%						Historical 4-Year average (2019-2022)
Total Interest Expense	**Mn $**					**1 653**	**1 745**	**1 829**	**1 916**	**2 004**	**2 093**	

Appendix 11 – Assumptions Nonoperating (income) expense

Nonoperating (income) expense, net	Unit	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Assumptions
Interest income	Mn $	(37)	(18)	(9)	(44)	(27)	(27)	(25)	(26)	(30)	(27)	Historical 4-Year average continuosly
Foreign currency and hedging activity	Mn $	(48)	(3)	(37)	(134)	(56)	(56)	(56)	(56)	(56)	(56)	Historical 4-Year average (2019-2022)
Other expense	Mn $	15	(14)	14	517	5	5	5	5	5	5	"In 2022 … included 517 million of nonoperating expense related to the
Total	**Mn $**	**(70)**	**(35)**	**(32)**	**339**	**(78)**	**(78)**	**(76)**	**(77)**	**(80)**	**(78)**	

Appendix 12 – Assumptions Selling, General & Administrative Expenses

Selling, general & administrative expenses	Unit	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Assumptions
Depreciation & amortization	Mn $	229	301	330	370	308						Historical 4-Year average continuosly.
	% of Total Revenues	1,1%	1,6%	1,4%	1,6%							Historical 4-Year average (2019-2022)
Other	Mn $	2 000	2 245	2 378	2 492	2 279						
	% of Total Revenues	9,5%	11,7%	10,2%	10,7%							Historical 4-Year average (2019-2022)
Total	**Mn $**	**2 229**	**2 546**	**2 708**	**2 862**	**2 719**						
	% of S. Sales	2,2%	2,8%	2,4%	2,4%	2,3%						McDonad's Corp. 10-k Report (2022) - Page 10 "The Company expects
Systemwide Sales	**Mn $**	**100 000**	**90 000**	**112 000**	**118 200**	**130 840**	**137 378**	**143 425**	**149 671**	**155 945**	**162 307**	

Appendix 13 – Assumptions Share Repurchases & Dividends

Share Repurchases & Dividends	Unit	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Assumptions
Number of Shares repurchased	**Mn**	**25**	**4,3**	**3,4**	**15,8**	**12**	**12**	**12**	**12**	**12**	**12**	Authorized purchase of 15 billion Company's outstanding stock with an
Stock option exercised	Mn	4	2,8	2,4	1,9	2,4	2,4	2,4	2,4	2,4	2,4	Historical 3-Year average (2019-2022)
Proceeds from stock option exercises	Mn $	351	296	286	248	267,8	267,8	267,8	267,8	267,8	267,8	
%		97	106	119	131	113,1						Historical 3-Year average (2019-2022)
Shares outstanding at year end	**Mn**	**746**	**745**	**745**	**731**	**721**	**711**	**702**	**692**	**682**	**672**	
Dividend declared per share	**$**	**4,7**	**5,0**	**5,3**	**5,7**	**6**	**7**	**7**	**8**	**8**	**9**	"… Company has paid dividends … for 47 consecutive years and has ir
YoY (%)	% YoY	13%	7%	4%	8%	8%						
Treasury stock purchases (in shareholder's equity)	**Mn $**	**4 980**	**874**	**846**	**3 896**	**3 595**	**3 595**	**3 595**	**3 595**	**3 595**	**3 595**	
Dividends paid	**Mn $**	**3 582**	**3 753**	**3 919**	**4 168**	**4 403**	**4 684**	**4 983**	**5 300**	**5 635**	**5 991**	"In 2022 … included 517 million of nonoperating expense related to the
Price of Shares repurchased	$	199	203	249	247	297	297	297	297	297	297	Assuming Stock Price on the 30th of December 2022
Total returned to shareholders	**Mn $**	**8 562**	**4 627**	**4 765**	**8 064**	**7 998**	**8 280**	**8 578**	**8 895**	**9 231**	**9 586**	

Share Repurchases & Dividends	Unit	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Assumptions
Treasury Stock purchases	Mn		4,3	3,4	15,8	12	12	12	12	12	12	Authorized purchase of 15 billion Company's outstanding stock with an
Stock option exercises & other	Mn		3,4	2,8	2,3	2,8	2,8	2,8	2,8	2,8	2,8	Historical 4-Year average (2019-2022)
Common stock in treasury (shares)	Mn	914,3	915,2	915,8	929,3	938,6	947,9	957,2	966,5	975,8	985,1	
Common stock in treasury ($)	**Mn $**	**66 329**	**67 066**	**67 810**	**71 624**	**71743**	**74498**	**77253**	**80008**	**82763**	**85518**	Valued at cost
Common Stock Valuation	$	72,5	73,3	74,0	77,1	76,4	78,6	80,7	82,8	84,8	86,8	
Average Common Stock Valuation (2019-2022)	$				74,2							

Appendix 14 – Assumptions Inflation

Inflation by Area	2017	2018	2019	2020	2021	2022	2023	2024 F	2025 F	2026 F	2027 F	2028 F	Assumptions
United States	2,1%	2,4%	1,8%	1,3%	4,7%	8,0%	4,1%	2,8%	2,4%	2,2%	2,1%	2,1%	
Africa (Region)	12,7%	11,3%	9,0%	10,6%	12,8%	14,3%	18,5%	17,3%	11,8%	9,5%	8,7%	7,9%	
Asia and Pacific	2,7%	3,0%	3,4%	3,2%	3,0%	6,6%	5,2%	5,4%	4,8%	4,5%	4,2%	4,1%	Assuming the average forecast Inflation (IMF) for U.S. and World.
Europe	2,2%	2,2%	2,0%	1,1%	3,5%	9,9%	6,5%	4,1%	2,7%	2,5%	2,4%	2,3%	Source: McDonald's Corporation Annual Report (2022) - Page 18
Middle East (Region)	2,9%	8,4%	6,4%	9,8%	12,2%	14,0%	13,9%	10,0%	7,9%	7,4%	7,1%	7,0%	
Average	5,1%	6,2%	5,2%	6,2%	7,9%	11,2%	11,0%	9,2%	6,8%	6,0%	5,6%	5,3%	
World	3,3%	3,6%	3,5%	3,2%	4,7%	8,7%	6,9%	5,8%	4,6%	4,2%	3,9%	3,8%	

https://www.imf.org/external/datamapper/PCPIPCH@WEO/OEMDC/ADVEC/WEOWORLD/USA

Inflation by Area	2024 F	2025 F	2026 F	2027 F	2028 F
United States	1,5%	1,8%	2,1%	2,1%	2,1%
Advanced Economies (IOM)	1,4%	1,8%	1,9%	1,8%	1,7%
Global (IDL's)	2,9%	3,2%	3,2%	3,1%	3,1%

https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/USA

Appendix 15 – Assumptions Geographical Revenue Distribution

Geographical Revenue Distribution

Revenues (USD Million)	2017	2018	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Assumptions
United States	**8 006**	**7 666**	**7 843**	**7 656**	**8 711**	**9 421**	**9 934**	**10 431**	**10 890**	**11 364**	**11 841**	**12 324**	
United States (%)	35%	36%	37%	41%	38%	41%							Historical 5-Year average (2018-2022), according to McDonald's
Forecast Assumption (%)							39%						Corporation Annual Report (2022) - Page 18
International Operated Markets	**11 116**	**11 507**	**11 398**	**9 462**	**12 094**	**11 164**	**13 380**	**14 048**	**14 667**	**15 305**	**15 947**	**16 597**	
International Operated Markets (%)	49%	55%	54%	50%	53%	49%							Historical 5-Year average (2018-2022), according to McDonald's
Forecast Assumption (%)							52%						Corporation Annual Report (2022) - Page 18
International Developmental Licensed Markets & Corp	**3 698**	**1 852**	**1 836**	**1 747**	**2 068**	**2 269**	**2 348**	**2 465**	**2 574**	**2 686**	**2 799**	**2 913**	
International Developmental Licensed Markets & Corpora	16%	9%	9%	9%	9%	10%							Historical 5-Year average (2018-2022), according to McDonald's
Forecast Assumption (%)							9%						Corporation Annual Report (2022) - Page 18
Total Net Revenue	**22 820**	**21 025**	**21 077**	**18 865**	**22 873**	**22 854**	**25 662**	**26 944**	**28 131**	**29 356**	**30 586**	**31 834**	

Appendix 16 – Assumptions Revenues per Operator

Operations Revenue Distribution

Revenues per Operator (USD Million)	2017	2018	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Assumption
Sales by Company-Operated restaurants	**12 719**	**10 013**	**9 421**	**8 139**	**9 787**	**8 748**	**9 098**	**9 462**	**9 805**	**10 161**	**10 517**	**10 875**	Historical 5 -Year average (2018-2022), according to McDonald's Corporation Annual Report (2022) - Page 18 "2022 results reflect the impact of the permanent restaurant closures as a result of the sale of the Company's business in Russia and teh temporary closures in Ukraine" - Page 19
YoY % + Net restaurant unit expansion (1.5%)		-21%	-6%	-14%	20%	-11%	-1%						
GDP Growth based on Geographical Presence %								1%	2%	2%	2%	2%	
Inflation based on Geographical Presence %							5%	3%	2%	2%	2%	2%	
Forecast Assumption (%)							**4%**	**4%**	**4%**	**4%**	**4%**	**3%**	
Revnues from franchised restaurants	**10 101**	**11 012**	**11 656**	**10 726**	**13 085**	**14 106**	**16 216**	**17 116**	**17 941**	**18 792**	**19 648**	**20 519**	Historical 5-Year average (2018-2022), according to McDonald's Corporation Annual Report (2022) - Page 18
YoY % + Net restaurant unit expansion (1.5%)		9%	6%	-8%	22%	8%	9%						
GDP Growth based on Geographical Presence %								2%	2%	2%	2%	2%	
Inflation based on Geographical Presence %							6%	4%	3%	3%	3%	2%	
Forecast Assumption (%)							**15%**	**6%**	**5%**	**5%**	**5%**	**4%**	
Other revenues	**N/A**	**N/A**	**N/A**	**343**	**351**	**329**	**348**	**367**	**385**	**403**	**421**	**440**	
YoY % + Net restaurant unit expansion (1.5%)					2%	-6%	0%						Inflation based on Geographical Presence (%): The % of revenues that the segment represents multiplied by the markets average inflation in which that segment is operating.
GDP Growth based on Geographical Presence %								2%	2%	2%	2%	2%	
Inflation based on Geographical Presence %							6%	4%	3%	3%	3%	2%	
Forecast Assumption (%)							**6%**	**6%**	**5%**	**5%**	**5%**	**4%**	

75%	**Trade-Down Effect**

Appendix 17 – Operating Costs & Expenses

Revenues & Operating costs & expenses (USD milli	2017	2018	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Assumptions
Revenues:													
Sales by Company-Operated restaurants	12 719	10 013	9 421	8 139	9 787	8 748	9 098	9 462	9 805	10 161	10 517	10 875	
% of Total Revenue		48%	45%	42%	42%	38%	35%	35%	35%	35%	34%	34%	
Revenues from franchised restaurants	10 101	11 012	11 656	10 726	13 085	14 106	16 216	17 116	17 941	18 792	19 648	20 519	
% of Total Revenue		52%	55%	56%	56%	61%	63%	64%	64%	64%	64%	64%	
Other revenues	N/A	N/A	N/A	343	351	329	348	367	385	403	421	440	
% of Total Revenue				2%	2%	1%	1%	1%	1%	1%	1%	1%	
Total Revenues	**22 820**	**21 025**	**21 077**	**19 208**	**23 223**	**23 183**	**25 662**	**26 944**	**28 131**	**29 356**	**30 586**	**31 834**	
YoY %			0,2%	-8,9%	20,9%	-0,2%	10,7%	5,0%	4,4%	4,4%	4,2%	4,1%	
Operating costs & expenses													
Company-Operated restaurant expenses	10 410	8 266	7 761	6 981	8 047	7 381	7 457	7 755	8 036	8 328	8 619	8 914	
% of Sales by Company-Operated restaurants - 1.5% (D	82%	83%	82%	86%	82%	84%							
Forecast (%)							82%						The cost forecast is based on the Historical 5-Year average (2018-2022)
Franchised restaurants-occupancy expenses	1 789	1 973	2 201	2 208	2 335	2 350	2 737	2 889	3 028	3 172	3 316	3 463	
% of Revenues from franchised restaurants	18%	18%	19%	21%	18%	17%							
Forecast (%)							17%						The cost forecast is based on the Historical 5-Year average (2018-2022)
Total Other expenses	1 068	1 963	2 045	2 695	2 485	4 081	2 765	2 903	3 031	3 163	3 296	3 430	
% of Total Revenues	5%	9%	10%	14%	11%	18%							
Forecast (%)							11%						The cost forecast is based on the Historical 5-Year average (2018-2022)
Total Operating costs & expenses:	**13 267**	**12 202**	**12 007**	**11 884**	**12 867**	**13 812**	**12 959**	**13 547**	**14 095**	**14 662**	**15 231**	**15 807**	
YoY %			-2%	-1%	8%	7%	-6%	5%	4%	4%	4%	4%	
Operating Income	**9553**	**8 823**	**9 070**	**7 324**	**10 356**	**9 371**	**12 703**	**13 397**	**14 036**	**14 693**	**15 355**	**16 027**	

Appendix 18 – Key Financial Ratios

Key Financial Ratios	2019	2020	2021	2022	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F
Liquidity Ratios:										
Current Ratio	0,98	1,01	1,78	1,43	1,65	1,62	1,57	1,81	2,13	2,48
Acid Test Ratio	0,97	1,00	1,76	1,41	1,63	1,61	1,55	1,79	2,12	2,46
Cash Ratio	0,25	0,56	1,17	0,68	0,85	0,82	0,76	1,00	1,32	1,66
Operating Cash Flow Ratio	2,24	1,01	2,27	1,94	2,58	2,51	2,50	2,53	2,58	2,59
Leverage Ratios:										
Debt to Assets Ratio	0,72	0,71	0,66	0,71	0,69	0,72	0,73	0,74	0,75	0,76
Debt to Equity Ratio	(4,16)	(4,78)	(7,74)	(5,98)	(7,46)	(5,78)	(4,69)	(4,05)	(3,65)	(3,34)
Asset to Equity Ratio	(5,79)	(6,73)	(11,70)	(8,40)	(10,75)	(8,02)	(6,40)	(5,50)	(4,88)	(4,41)
Net Debt to EBIT Ratio	3,67	4,64	2,99	3,56	2,92	2,82	2,67	2,48	2,30	2,11
Leverage Ratio	5,99	7,93	5,47	5,79	4,88	4,67	4,47	4,36	4,25	4,13
Efficiency Ratios:										
Asset Turnover	0,44	0,36	0,43	0,46	0,45	0,48	0,52	0,54	0,56	0,59
Accounts Receivables Turnover	5,24	5,08	6,99	6,67	6,53	6,56	6,59	6,61	6,64	6,66
Collection Period (days)	69,65	71,81	52,23	54,73	55,92	55,63	55,40	55,20	55,01	54,82
Accounts Payables Turnover	12,15	16,03	12,78	14,09	13,61	13,61	13,61	13,61	13,61	13,61
Payables Period (days)	30,04	22,77	28,56	25,90	26,82	26,82	26,82	26,82	26,82	26,82
Profitability Ratios:										
EBIT (Operating) Margin	43,0%	38,1%	44,6%	40,4%	48,3%	48,6%	48,8%	49,0%	49,1%	49,3%
Net Profit Margin	28,6%	24,6%	32,5%	26,6%	33,3%	33,5%	33,6%	33,7%	33,9%	34,0%
ROA	28,6%	24,6%	32,5%	26,6%	33,3%	33,5%	33,6%	33,7%	33,9%	34,0%
ROCE	20,7%	15,8%	20,8%	20,1%	23,4%	25,3%	27,3%	28,8%	30,2%	31,8%
ROE	(0,73)	(0,60)	(1,64)	(1,03)	(1,61)	(1,29)	(1,11)	(1,00)	(0,93)	(0,88)
EPS	7,88	6,31	10,04	8,33	11,76	12,58	13,37	14,20	15,06	15,95
SG&A/Systemwide Sales	2,2%	2,8%	2,4%	2,4%	2,3%	2,4%	2,4%	2,4%	2,4%	2,4%
Solvency Ratios:										
Short-term Debt Ratio (%)	7,6%	11,7%	7,5%	7,5%	7,0%	7,5%	8,0%	8,3%	8,6%	9,0%
Long-term Debt (solvency) Ratio (%)	71,8%	66,9%	66,1%	71,2%	64,8%	66,2%	67,4%	68,6%	69,6%	70,4%
Equity Multiplier	(5,79)	(6,73)	(11,70)	(8,40)	(10,75)	(8,02)	(6,40)	(5,50)	(4,88)	(4,41)
Interest Coverage Ratio	8,08	6,01	8,73	7,76	7,50	7,50	7,50	7,50	7,50	7,50

Appendix 19 – Assumptions Risk-Free Rate

CAPM Model

Risk-Free Rate	4,00%

Description	Risk-free rate	Source
5 Year U.S. Tresury Yields	3,93%	
10 Year U.S. Tresury Yields	4,00%	Bloomberg
30 Year U.S. Tresury Yields	4,17%	

The chosen Risk-Free Rate ended up being the 5 Year U.S. Treasury Bond, from Bloomberg (14th December, 2023)

https://www.bloomberg.com/markets/rates-bonds/government-bonds/us
https://www.investing.com/rates-bonds/u.s.-5-year-bond-yield

Appendix 20 – Beta Regression (S&P500)

CAPM Model

Beta (Levered)	0,7308

Date	McDonald's Adjusted Close Price	McDonald's Daily Return	S&P500 Adjusted Close Price2	S&P500 Daily Return	Source
29/12/2023	296,51	0,6654	4 769,83	-0,2457	
28/12/2023	295,84	0,4380	4 783,35	0,1801	investing
27/12/2023	294,55	-0,6610	4 781,58	0,1430	
26/12/2023	296,51	1,6490	4 774,75	0,4232	
22/12/2023	291,70	0,1064	4 754,63	0,1660	investing
21/12/2023	291,39	0,8305	4 746,75	0,9691	
20/12/2023	288,99	-0,5985	4 701,19	-1,4089	
19/12/2023	290,73	0,2448	4 768,37	0,5866	
18/12/2023	290,02	1,0206	4 740,56	0,4528	
15/12/2023	287,09	-1,0103	4 719,19	-0,0076	
14/12/2023	290,02	-1,9971	4 719,55	0,2647	
13/12/2023	295,93	1,5476	4 707,09	1,3651	
12/12/2023	291,42	0,7851	4 643,70	0,4599	
11/12/2023	289,15	1,2678	4 622,44	0,3925	
08/12/2023	285,53	-0,4393	4 604,37	0,4095	
07/12/2023	286,79	-0,0244	4 585,59	0,7968	
06/12/2023	286,86	0,1117	4 549,34	-0,3906	
05/12/2023	286,54	0,1433	4 567,18	-0,0569	
04/12/2023	286,13	0,0594	4 569,78	-0,5408	
01/12/2023	285,96	1,4618	4 594,63	0,5878	

Calculation:

Method A: Slope	Method B: Regression
0,7308	0,7308

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0,67424667
R Square	0,454608572
Adjusted R Square	0,454173997
Standard Error	1,075393883
Observations	1257

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	1209,784908	1209,784908	1046,099606	2,0312E-167
Residual	1255	1451,372365	1,156472004		
Total	1256	2661,157273			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95,0%*	*Upper 95,0%*
Intercept	0,010655497	0,030360916	0,350960985	0,725676523	-0,048908249	0,070219242	-0,048908249	0,070219242
X Variable 1	0,730810219	0,022595299	32,34346311	2,0312E-167	0,686481495	0,775138943	0,686481495	0,775138943

Appendix 21 – Beta Regression (FF)

CAPM Model

Beta (Levered)	0,6957

Date	McDonald's Adjusted Close Price	McDonald's Daily Return	EMR - Rf	Rf	McD Return - Rf	Source
31/10/2023	262,17	0,7765	0,6300	0,0210	0,7555	
30/10/2023	260,15	1,7165	1,1500	0,0210	1,6955	investing
27/10/2023	255,76	-0,0274	-0,5300	0,0210	-0,0484	
26/10/2023	255,83	-0,8526	-1,1500	0,0210	-0,8736	
25/10/2023	258,03	0,2954	-1,5800	0,0210	0,2744	investing
24/10/2023	257,27	0,9892	0,7100	0,0210	0,9682	
23/10/2023	254,75	-1,3018	-0,2300	0,0210	-1,3228	
20/10/2023	258,11	-0,1045	-1,3200	0,0210	-0,1255	
19/10/2023	258,38	0,9179	-0,9200	0,0210	0,8969	
18/10/2023	256,03	1,9471	-1,4700	0,0210	1,9261	
17/10/2023	251,14	0,4801	0,0900	0,0210	0,4591	
16/10/2023	249,94	0,6564	1,1300	0,0210	0,6354	
13/10/2023	248,31	0,8611	-0,5900	0,0210	0,8401	
12/10/2023	246,19	-1,8851	-0,8100	0,0210	-1,9061	
11/10/2023	250,92	-0,2385	0,3200	0,0210	-0,2595	
10/10/2023	251,52	0,6402	0,6100	0,0210	0,6192	
09/10/2023	249,92	0,6849	0,5900	0,0210	0,6639	
06/10/2023	248,22	-1,5898	1,2100	0,0210	-1,6108	
05/10/2023	252,23	-1,3995	-0,1500	0,0210	-1,4205	
04/10/2023	255,81	0,5187	0,7700	0,0210	0,4977	
03/10/2023	254,49	-1,2648	-1,5000	0,0210	-1,2858	
02/10/2023	257,75	-2,1599	-0,1400	0,0210	-2,1809	

Calculation:

Method A: Slope	Method B: Regression
0,6957	0,6957

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0,65890454
R Square	0,434155193
Adjusted R Square	0,433689093
Standard Error	1,107317283
Observations	1216

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	1142,11677	1142,11677	931,4645951	2,6775E-152
Residual	1214	1488,547999	1,226151564		
Total	1215	2630,66477			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95,0%*	*Upper 95,0%*
Intercept	0,002794692	0,031774375	0,087954266	0,929927531	-0,059544089	0,065133473	-0,059544089	0,065133473
X Variable 1	0,695703591	0,022795077	30,5199049	2,6775E-152	0,650981473	0,740425709	0,650981473	0,740425709

Appendix 22 – MRP & CRP

Market	Net Revenue %	Default spread	Country Risk Premium	Market Risk Premium	Source
United States (National Market)	38,71%	0,00%	0,00%	5,00%	
International Operated Markets	52,14%	0,72%	1,02%	6,02%	A. Damoradaran
International Developmental Licensed Markets	9,15%	3,70%	4,26%	8,26%	
McDonald's Corp.	47,86%	**0,71%**	**0,92%**	**5,83%**	

http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html
https://corporate.mcdonalds.com/corpmcd/our-company/where-we-operate.html

Last updated: July 14, 2023

CRP:	MRP:
0,92%	5,83%

Country	Moody's rating	Default Spread	Country Risk Premium	Equity Market Risk Premium	Corporate Tax Rate	McDonald's Operates
Argentina	Ca	12,84%	18,21%	23,21%	35,00%	IDL's
Australia	Aaa	0,00%	0,00%	5,00%	30,00%	IOM
Austria	Aa1	0,43%	0,61%	5,61%	24,00%	IOM
Azerbaijan	Ba1	2,68%	3,80%	8,80%	20,00%	IDL's
Bahrain	B2	5,88%	8,35%	13,35%	0,00%	IDL's
Belgium	Aa3	0,64%	0,91%	5,91%	25,00%	IOM
Bolivia	Caa1	8,02%	11,38%	16,38%	25,00%	IDL's
Brazil	Ba2	3,22%	4,57%	9,57%	34,00%	IDL's
Brunei	NR	0,64%	0,91%	5,91%	18,50%	IDL's
Bulgaria	Baa1	1,71%	2,43%	7,43%	10,00%	IDL's
Canada	Aaa	0,00%	0,00%	5,00%	25,00%	IOM
Chile	A2	0,91%	1,28%	6,28%	27,00%	IDL's
China	A1	0,75%	1,07%	6,07%	25,00%	IDL's
Colombia	Baa2	2,04%	2,89%	7,89%	35,00%	IDL's
Costa Rica	B2	5,88%	8,35%	13,35%	30,00%	IDL's
Croatia	Baa2	2,04%	2,89%	7,89%	18,00%	IDL's
Curacao	Baa2	2,04%	2,89%	7,89%	22,00%	IDL's
Cyprus	Ba1	2,68%	3,80%	8,80%	12,50%	IDL's
Czech Republic	Aa3	0,64%	0,91%	5,91%	19,00%	IOM
Denmark	Aaa	0,00%	0,00%	5,00%	22,00%	IDL's
Dominican Republic	Ba3	3,85%	5,46%	10,46%	27,00%	IDL's
Ecuador	Caa3	10,70%	15,18%	20,18%	25,00%	IDL's
Egypt	B3	6,95%	9,86%	14,86%	22,50%	IDL's
El Salvador	Caa3	10,70%	15,18%	20,18%	30,00%	IDL's
Estonia	A1	0,75%	1,07%	6,07%	20,00%	IDL's
Fiji	B1	4,82%	6,83%	11,83%	20,00%	IDL's
Finland	Aa1	0,43%	0,61%	5,61%	20,00%	IDL's
France	Aa2	0,53%	0,75%	5,75%	25,00%	IOM
Georgia	Ba2	3,22%	4,57%	9,57%	15,00%	IDL's
Germany	Aaa	0,00%	0,00%	5,00%	30,00%	IOM
Greece	Ba3	3,85%	5,46%	10,46%	22,00%	IDL's
Guyana	NR	1,71%	2,43%	7,43%	18,64%	IDL's
Honduras	B1	4,82%	6,83%	11,83%	25,00%	IDL's
Hong Kong	Aa3	0,64%	0,91%	5,91%	16,50%	IDL's
Hungary	Baa2	2,04%	2,89%	7,89%	9,00%	IDL's
India	Baa3	2,35%	3,33%	8,33%	30,00%	IDL's
Indonesia	Baa2	2,04%	2,89%	7,89%	22,00%	IDL's
Ireland	Aa3	0,64%	0,91%	5,91%	12,50%	IOM
Israel	A1	0,75%	1,07%	6,07%	23,00%	IDL's
Italy	Baa3	2,35%	3,33%	8,33%	24,00%	IOM
Japan	A1	0,75%	1,07%	6,07%	23,20%	IDL's
Jordan	B1	4,82%	6,83%	11,83%	20,00%	IDL's
Kazakhstan	Baa2	2,04%	2,89%	7,89%	20,00%	IDL's
Korea	Aa2	0,53%	0,75%	5,75%	25,00%	IDL's
Kuwait	A1	0,75%	1,07%	6,07%	15,00%	IDL's
Latvia	A3	1,28%	1,82%	6,82%	20,00%	IDL's
Lebanon	C	17,50%	24,82%	29,82%	17,00%	IDL's
Lithuania	A2	0,91%	1,28%	6,28%	15,00%	IOM
Luxembourg	Aaa	0,00%	0,00%	5,00%	24,94%	IDL's
Malaysia	A3	1,28%	1,82%	6,82%	24,00%	IDL's
Malta	A2	0,91%	1,28%	6,28%	35,00%	IDL's
Mauritius	Baa3	2,35%	3,33%	8,33%	15,00%	IDL's
Mexico	Baa2	2,04%	2,89%	7,89%	30,00%	IDL's
Moldova	B3	6,95%	9,86%	14,86%	12,00%	IDL's
Morocco	Ba1	2,68%	3,80%	8,80%	31,00%	IDL's
Netherlands	Aaa	0,00%	0,00%	5,00%	25,80%	IOM
New Zealand	Aaa	0,00%	0,00%	5,00%	28,00%	IOM
Nicaragua	B3	6,95%	9,86%	14,86%	30,00%	IDL's
Norway	Aaa	0,00%	0,00%	5,00%	22,00%	IDL's
Oman	Ba2	3,22%	4,57%	9,57%	15,00%	IDL's
Pakistan	Caa3	10,70%	15,18%	20,18%	29,00%	IDL's
Panama	Baa2	2,04%	2,89%	7,89%	25,00%	IDL's
Paraguay	Ba1	2,68%	3,80%	8,80%	10,00%	IDL's
Peru	Baa1	1,71%	2,43%	7,43%	29,50%	IDL's
Philippines	Baa2	2,04%	2,89%	7,89%	25,00%	IDL's
Poland	A2	0,91%	1,28%	6,28%	19,00%	IOM
Portugal	Baa2	2,04%	2,89%	7,89%	21,00%	IOM
Qatar	Aa3	0,64%	0,91%	5,91%	10,00%	IDL's
Ras Al Khaimah (Emirate of)	A3	1,28%	1,82%	6,82%	0,00%	IDL's
Romania	Baa3	2,35%	3,33%	8,33%	16,00%	IDL's
Saudi Arabia	A1	0,75%	1,07%	6,07%	20,00%	IDL's
Serbia	Ba2	3,22%	4,57%	9,57%	15,00%	IDL's
Singapore	Aaa	0,00%	0,00%	5,00%	17,00%	IDL's
Slovakia	A2	0,91%	1,28%	6,28%	21,00%	IOM
Slovenia	A3	1,28%	1,82%	6,82%	19,00%	IOM
South Africa	Ba2	3,22%	4,57%	9,57%	27,00%	IDL's
Spain	Baa1	1,71%	2,43%	7,43%	25,00%	IOM
Sri Lanka	Ca	12,84%	18,21%	23,21%	24,00%	IDL's
Sweden	Aaa	0,00%	0,00%	5,00%	20,60%	IDL's
Switzerland	Aaa	0,00%	0,00%	5,00%	18,00%	IOM
Taiwan	Aa3	0,64%	0,91%	5,91%	20,00%	IDL's
Thailand	Baa1	1,71%	2,43%	7,43%	20,00%	IDL's
Trinidad and Tobago	Ba2	3,22%	4,57%	9,57%	30,00%	IDL's
Tunisia	Caa2	9,63%	13,66%	18,66%	15,00%	IDL's
Turkey	B3	6,95%	9,86%	14,86%	23,00%	IDL's
Ukraine	Ca	12,84%	18,21%	23,21%	18,00%	IDL's
United Arab Emirates	Aa2	0,53%	0,75%	5,75%	0,00%	IDL's
United Kingdom	Aa3	0,64%	0,91%	5,91%	25,00%	IOM
United States	Aaa	0,00%	0,00%	5,00%	25,00%	US
Uruguay	Baa2	2,04%	2,89%	7,89%	25,00%	IDL's
Venezuela	C	17,50%	24,82%	29,82%	34,00%	IDL's
Vietnam	Ba2	3,22%	4,57%	9,57%	20,00%	IDL's
Total		**3,05%**	**4,32%**	**9,32%**	**21,61%**	**92**

Appendix 23 – Cost of Equity (Ke)

Description	Risk-free rate	Beta (unlevered)	Market Risk Premium	Cost of Equity (Ke)
McDonald's Corp. Ke	4,0%	0,7308	5,83%	**8,26%**

Appendix 24 – Cost of Debt (Kd)

McDonald's Corp. Kd	5,41%

Method A - *Interest Rate* (The cost charged to McDonald's Corp. by the banks)

Cost of Debt	2022
Kd	3,50%

Method B - Credit Spread

Risk-free rate	Default Spread (Operated Markets)	Interest Coverage Ratio	Default Spread (McDonald's Corp.)	Cost of Debt
4,00%	0,71%	7,50	0,70%	5,41%

For larger firms (market cap > $5 billion)			
If interest coverage ratio is			
>	≤ *to*	*Rating is*	*Spread is*
-100000	0,199999	D2/D	20,00%
0,2	0,649999	C2/C	17,00%
0,65	0,799999	Ca2/CC	11,78%
0,8	1,249999	Caa/CCC	8,51%
1,25	1,499999	B3/B-	5,24%
1,5	1,749999	B2/B	3,61%
1,75	1,999999	B1/B+	3,14%
2	2,2499999	Ba2/BB	2,21%
2,25	2,49999	Ba1/BB+	1,74%
2,5	2,999999	Baa2/BBB	1,47%
3	4,249999	A3/A-	1,21%
4,25	5,499999	A2/A	1,07%
5,5	6,499999	A1/A+	0,92%
6,5	8,499999	Aa2/AA	0,70%
8,5	100000	Aaa/AAA	0,59%

Source: https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ratings.html

Cost of Debt

- We can Calculate the cost of debt using the following formula – **Cost of Debt = (Risk-Free Rate + Credit Spread) * (1 – Tax Rate)**
- As the cost of debt (Kd) is affected by the tax rate, we consider the After-Tax Cost of Debt.
- Here, credit spread depends on the credit rating. Better credit rating will decrease the credit spread and vice versa.
- Alternatively, you can also take a simplified approach to calculating the Cost of Debt. You can find the cost of Debt as Interest Expense / Total Debt.
- Tax Rate is the Corporate Tax Rate, which is dependent on the Government. Also, note that if preferred stock is given, we also need to take into account the cost of preferred stock.

Method C - Interest Expense

Interest Expense	Total Debt	Cost of Debt
1 652,6	39 546,2	4,18%

Method D - YTM of current Debt

Bond Name	ISIN	Issue Price	Issued Volume (Mn)	Volume 2023 (Mn)	Coupon	Maturity	Years to Mat.	Price (Jan/23)	Payments p/ Year	YTM	BV Debt
MCDONALDS CORP. 16-24 MTN	CH0338330456	100	400	0	0,17%	10/04/2024	0,19	98,86	1	1,76%	-
MCDONALDS 19/24 FLR MTN	AU3FN0046827	100	300	0	5,47%	03/08/2024	0,51	100,26	4	4,80%	-
MCDONALDS 19/24 MTN	AU3CB0261378	99,87	500	0	3,00%	03/08/2024	0,51	99,659	2	4,69%	-
MCDONALDS CORP. 17/25	CA580135CD12	99,78	1000	0	3,13%	03/04/2025	1,18	97,27	2	6,45%	15
MCDONALDS 19/26 MTN	AU3CB0261394	99,72	200	0	3,45%	09/08/2026	2,53	96,11	2	4,59%	-
MCDONALDS 19/29 MTN	AU3CB0261402	99,75	400	0	3,80%	03/08/2029	5,51	93,61	2	4,96%	-

Source: https://markets.businessinsider.com/bonds/ad-medium-term_nts_201928-29-bond-2029-au3cb0261402?miRedirects=1 15

Weighted Average YTM	6,45%
Weighted Average Maturity	1,18

Appendix 25 – Market Value of Debt & Equity

Market Debt Value

Interest expense	Cost of Debt	Weighted average maturity (years)	Total Debt Book Value	Debt Market Value
1 653	5,4%	1,18	39 546,23	**39 003,93**

Market Equity Value

Outstanding Shares	Share Value (Dez 23)	Market value of Equity
721	296,51	**213 855,37**

Equity Weight	85%
Debt Weight	15%
D/E Ratio	18%

Appendix 26 – Growth Rate

Growth Rate (chosen):	3,64%

Based on GDP:

Market	% of Net Revenue	Forecasted GDP (2028)	Real GDP Growth Rate	Source
United States	38,71%	2,10%		
Advanced Economies (IOM)	52,14%	1,70%	1,98%	IMF
Global (IDL's)	9,15%	3,10%		

https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/USA

Based on Inflation:

Market	% of Net Revenue	Forecasted Inflation (2028)	Inlation Growth Rate	Source
United States	38,71%	2,10%		
Advanced Economies (IOM)	52,14%	2,00%	2,20%	IMF
Global (IDL's)	9,15%	3,80%		

Trade-Down Effect
1,65%

https://www.imf.org/external/datamapper/PCPIPCH@WEO/OEMDC/ADVEC/WEOWORLD/USA

"the constant growth rate must necessarily align with or be less than the overall economic growth rate" (Damodaran, Investment Valuation, 2002)

"accounting for approximately 94% if three annual forecasts are made, 90% with five annual forecasts, and 79% with ten annual forecasts" (Young, Sullivan, Nokhasteh, & Holt, 19

Appendix 27 – Book Values

Book Values	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F
BV Equity	(5 298)	(6 980)	(8 516)	(9 907)	(11 167)	(12 314)
BV Debt	34 177	37 440	35 623	35 904	39 546	40 331
Cash and Equivalents	899	3 449	4 709	2 584	3 377	3 422
Market Value Equity	**213 855**					
Market Value Debt	**39 004**					
Weight of Equity	**85%**	85%	85%	85%	85%	85%
Weight of Debt	**15%**	15%	15%	15%	15%	15%
D/E Ratio	**18%**					

Appendix 28 – Damodaran Comparison

Book Values	Paper Data:	Damodaran Comparison:	
		Restaurant / Dining	Real Estate
D/E Ratio:	18,24%	25,73%	31,88%
E / E + D	**85%**	**79,54%**	**75,83%**
D / E + D	**15%**	**20,46%**	**24,17%**

Appendix 30 – WACC calculation

WACC	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Terminal Value
Cost of Equity:							
Risk Free Rate R[F]	4,00%	4,00%	4,00%	4,00%	4,00%	4,00%	4,17%
Beta levered ße	0,73	0,73	0,73	0,73	0,73	0,73	0,73
Market Risk Premium (MRP)	5,83%	5,83%	5,83%	5,83%	5,83%	5,83%	5,83%
Country Risk Premium (CRP)	0,92%	0,92%	0,92%	0,92%	0,92%	0,92%	0,92%
Cost of Equity Ke	**8,26%**	**8,26%**	**8,26%**	**8,26%**	**8,26%**	**8,26%**	**8,43%**
Cost of Debt:							
Cost of Debt Kd	5,41%	5,41%	5,41%	5,41%	5,41%	5,41%	5,58%
Effective tax rate [t]	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%
After-tax cost of debt K[d]	**4,28%**	**4,28%**	**4,28%**	**4,28%**	**4,28%**	**4,28%**	**4,41%**
WACC:							
Weight of Equity	85%	85%	85%	85%	85%	85%	85%
Weight of Debt	15%	15%	15%	15%	15%	15%	15%
Pre-Tax WACC	7,8%	7,8%	7,8%	7,8%	7,8%	7,8%	8,0%
WACC	**7,65%**	**7,65%**	**7,65%**	**7,65%**	**7,65%**	**7,65%**	**7,8%**

Appendix 31 – Present & Terminal Value

USD million	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	Terminal Value
EBIT (1 - T)	9 791,4	10 336,5	10 837,6	11 353,8	11 873,4	12 401,3	12 401,3
Depreciation & Amortization	1 811,0	1 915,4	2 025,0	2 139,4	2 258,9	2 383,3	2 383,3
Δ Net Working Capital	299	11	(23)	(43)	10	(9)	(9)
CAPEX	2 365,8	2 484,0	2 593,3	2 706,3	2 819,7	2 934,8	2 934,8
FCFF	**8 938,0**	**9 756,7**	**10 292,4**	**10 829,5**	**11 302,2**	**11 858,7**	**11 858,7**
Terminal Value							294 351,0
Present Value (PV)			**9 561,4**	**9 345,6**	**9 060,8**	**8 831,7**	**217 880,0**

Appendix 32 – Enterprise Value

Enterprise Value	USD million
Terminal Growth Rate (g)	3,64%
Perpetuity WACC (k)	7,8%
Terminal Value	294 351,0
PV of Terminal Value	217 880,0
PV of FCFF	36 799,4
Enterprise Value	**254 679,48**

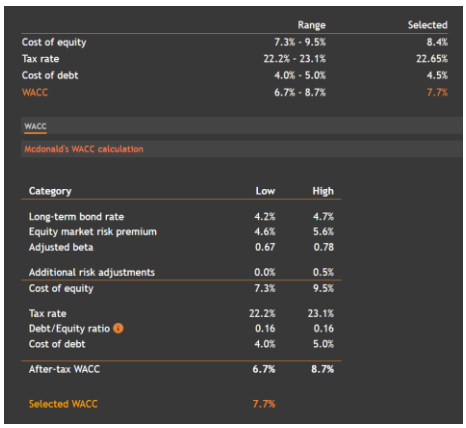
Appendix 33 – DCF & Price Target

DCF - Price Target	USD million
Enterprise Value	254 679,48
Net Debt	33 991,30
Equity Value	220 688,18
Shares Outstanding at year end	711,48
Equity Value p/ Share	310,18
F 31st December 2024 Price	310,18
31st December 2023 Price	296,51
Upside Potential	**4,61%**

Appendix 34 – Sensitivity Analysis

		WACC (k)							
		7,5%	7,6%	7,7%	**7,8%**	7,9%	8,0%	8,1%	Δ
Terminal Growth Rate (g)	2,14%	225 329	221 214	217 246	213 418	209 722	206 153	202 703	22 626
	2,64%	249 655	244 637	239 817	235 183	230 725	226 432	222 297	27 358
	3,14%	279 540	273 294	267 321	261 603	256 125	250 871	245 829	33 712
	3,64%	317 138	309 160	301 574	294 351	287 466	280 896	274 619	42 519
	4,14%	365 875	355 347	345 408	336 010	327 109	318 668	310 652	55 223
	4,64%	431 562	417 057	403 496	390 788	378 856	367 632	357 053	74 509
	5,14%	524 905	503 699	484 139	466 042	449 249	433 625	419 050	105 855
									51 686
	Δ	299 576	282 485	266 894	252 625	239 527	227 472	216 347	
					254 989				

Appendix 35 – Comparison McDonald's WACC



Appendix 36 – Dividend Discount Model

Dividend Discount Model (USD million)	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F
Dividends	4 403	4 684	4 983	5 300	5 635	5 991
Stock Repurchases	3 595	3 595	3 595	3 595	3 595	3 595
DPS	9,63	11,37	12,13	11,86	12,66	13,67
Cost of Equity Ke	8,3%	8,3%	8,3%	8,3%	8,3%	8,3%
Perpetual Growth Rate	3,6%	3,6%	3,6%	3,6%	3,6%	3,6%
Stock Value	**208**	**246**	**262**	**256**	**274**	**295**
31st December 2023 Price	296,51	296,51	296,51	296,51	296,51	296,51
Up/Dw Potential	**-29,8%**	**-17,1%**	**-11,5%**	**-13,5%**	**-7,7%**	**-0,4%**

Appendix 37 – DDM Enterprise Value

Enterprise Value	USD million
Equity Value per Share	245,9
F 31st December 2024 Price	245,9
31st December 2023 Price	296,5
Downside Potential	**-17,1%**

10. List of Figures

11. List of References

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