

ModernGraham Valuation

Company Name:

Company Ticker MCD
Date of Analysis

McDonald's
Corporation

11/20/2016



Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$100,112,076,960	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.96	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	51.68%	Pass
6. Moderate PEmg Ratio	PEmg < 20	23.46	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	-62.63	Fail

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	0.96	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-148.95	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$5.11
MG Growth Estimate	0.64%
MG Value	\$49.98
MG Value based on 3% Growth	\$74.16
MG Value based on 0% Growth	\$43.47
Market Implied Growth Rate	7.48%

MG Opinion

Current Price	\$120.00
% of Intrinsic Value	240.10%
Opinion	Overvalued
MG Grade	C

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$35.16
Graham Number	\$0.00
PEmg	23.46
Current Ratio	0.96
PB Ratio	-62.63
Current Dividend	\$3.56
Dividend Yield	2.97%
Number of Consecutive Years of Dividend Growth	20

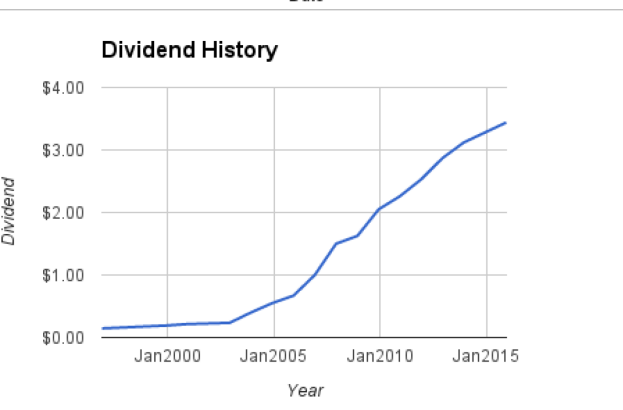
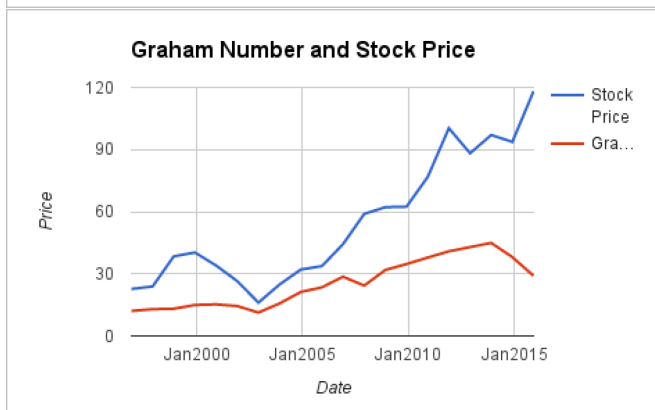
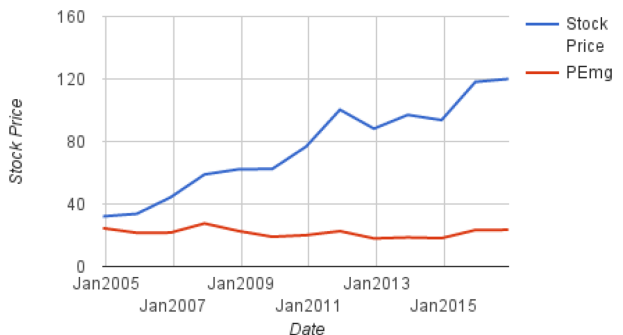
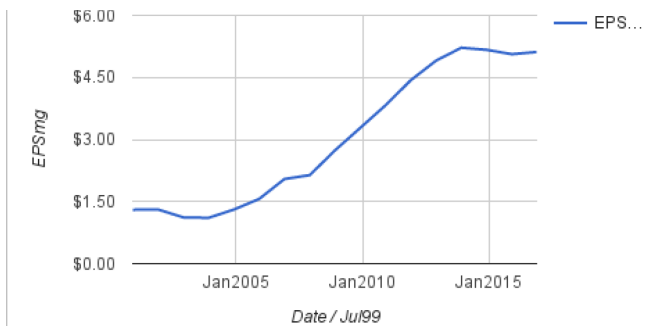
Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$5.32	Next Fiscal Year Estimate	\$5.11
Dec2015	\$4.80	Dec2015	\$5.06
Dec2014	\$4.82	Dec2014	\$5.17
Dec2013	\$5.55	Dec2013	\$5.22
Dec2012	\$5.36	Dec2012	\$4.91
Dec2011	\$5.27	Dec2011	\$4.43
Dec2010	\$4.58	Dec2010	\$3.83
Dec2009	\$4.11	Dec2009	\$3.28
Dec2008	\$3.76	Dec2008	\$2.74
Dec2007	\$1.98	Dec2007	\$2.14
Dec2006	\$2.83	Dec2006	\$2.05
Dec2005	\$2.04	Dec2005	\$1.56
Dec2004	\$1.79	Dec2004	\$1.31
Dec2003	\$1.15	Dec2003	\$1.11
Dec2002	\$0.70	Dec2002	\$1.12
Dec2001	\$1.25	Dec2001	\$1.31
Dec2000	\$1.46	Dec2000	\$1.30
Dec1999	\$1.39	Balance Sheet Information 9/1/2016	
Dec1998	\$1.10	Total Current Assets	\$4,302,100,000
Dec1997	\$1.15	Total Current Liabilities	\$4,476,700,000
Dec1996	\$1.08	Long-Term Debt	\$26,007,000,000
		Total Assets	\$32,486,900,000
		Intangible Assets	\$2,504,700,000
		Total Liabilities	\$34,111,000,000
		Shares Outstanding (Diluted Average)	847,700,000



EPSmg	Price and PEmg
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Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor. The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

Recommended Reading:

- Other ModernGraham posts about the company**
- [5 Overvalued Dow Components – July 2016](#)
 - [McDonald's Corporation Valuation – May 2016 \\$MCD](#)
 - [McDonald's Corporation – November 2015 Update \\$MCD](#)
 - [30 Companies in the Spotlight This Week – 11/15/14](#)
 - [McDonald's Corporation Annual Valuation – 2014 \\$MCD](#)

- Other ModernGraham posts about related companies**
- [Yum! Brands Inc Valuation – August 2016 \\$YUM](#)
 - [Starbucks Corp Valuation – June 2016 \\$SBUX](#)
 - [McDonald's Corporation Valuation – May 2016 \\$MCD](#)
 - [Chipotle Mexican Grill Inc Stock Valuation – February 2016 \\$CMG](#)
 - [McDonald's Corporation – November 2015 Update \\$MCD](#)
 - [Chipotle Mexican Group Inc Valuation – November 2015 Update \\$CMG](#)
 - [Darden Restaurants Inc. Analysis – September 2015 Update \\$DRI](#)
 - [Chipotle Mexican Grill Inc. Analysis – August 2015 Update \\$CMG](#)
 - [Chipotle Mexican Grill Inc. Quarterly Valuation – May 2015 \\$CMG](#)
 - [Yum! Brands Inc. Annual Valuation – 2015 \\$YUM](#)