

ModernGraham Valuation



Company Name:

McDonald's Corporation

Company Ticker MCD

Date of Analysis

11/10/2015

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	\$103,824,251,573	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.52	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	75.03%	Pass
6. Moderate PEmg Ratio	PEmg < 20	22.59	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	12.72	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	1.52	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	11.71	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	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$5.00
MG Growth Estimate	1.93%
MG Value	\$61.89
MG Value based on 3% Growth	\$72.57
MG Value based on 0% Growth	\$42.54
Market Implied Growth Rate	7.05%

MG Opinion

Current Price	\$113.07
% of Intrinsic Value	182.70%
Opinion	Overvalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$21.56
Graham Number	\$30.31
PEmg	22.59
Current Ratio	1.52
PB Ratio	12.72
Dividend Yield	3.01%
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	\$4.63	Next Fiscal Year Estimate	\$5.00
Dec14	\$4.82	Dec14	\$5.17
Dec13	\$5.55	Dec13	\$5.22
Dec12	\$5.36	Dec12	\$4.91
Dec11	\$5.27	Dec11	\$4.43
Dec10	\$4.58	Dec10	\$3.83
Dec09	\$4.11	Dec09	\$3.28
Dec08	\$3.76	Dec08	\$2.74
Dec07	\$1.98	Dec07	\$2.14
Dec06	\$2.83	Dec06	\$2.05
Dec05	\$2.04	Dec05	\$1.56
Dec04	\$1.79	Dec04	\$1.31
Dec03	\$1.15	Dec03	\$1.11
Dec02	\$0.70	Dec02	\$1.12
Dec01	\$1.25	Dec01	\$1.31
Dec00	\$1.46	Dec00	\$1.30
Dec99	\$1.39	Dec99	\$1.20
Dec98	\$1.10	Balance Sheet Information	Sep15
Dec97	\$1.15	Total Current Assets	\$4,492,600,000
Dec96	\$1.08	Total Current Liabilities	\$2,956,500,000
Dec95	\$0.99	Long-Term Debt	\$17,990,500,000
		Total Assets	\$32,959,500,000
		Intangible Assets	\$2,581,600,000
		Total Liabilities	\$24,649,700,000
		Shares Outstanding (Diluted Average)	934,800,000





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

- [30 Companies in the Spotlight This Week – 11/15/14](#)
- [McDonald's Corporation Annual Valuation – 2014 \\$MCD](#)
- [10 Companies in the Spotlight This Week – 11/15/13](#)
- [ModernGraham Valuation: McDonald's Corporation \(MCD\)](#)

Other
ModernGraham
posts about related
companies

- [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](#)
- [Starbucks Corporation Annual Valuation – 2015 \\$SBUX](#)
- [Chipotle Mexican Grill Inc. Quarterly Valuation – February 2015 \\$CMG](#)
- [McDonald's Corporation Annual Valuation – 2014 \\$MCD](#)
- [Chipotle Mexican Grill Inc. Quarterly Valuation – October 2014 \\$CMG](#)
- [Darden Restaurants Inc. Annual Valuation – 2014 \\$DRI](#)