

# ModernGraham Valuation

## Company Name:

Company Ticker MCD  
Date of Analysis

McDonald's  
Corporation

5/14/2016



## 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	\$113,943,760,419	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.77	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	52.18%	Pass
6. Moderate PEmg Ratio	PEmg < 20	25.10	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	29.84	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	1.77	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	10.65	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

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$5.13
MG Growth Estimate	0.69%
<b>MG Value</b>	<b>\$50.66</b>
MG Value based on 3% Growth	\$74.40
MG Value based on 0% Growth	\$43.62
Market Implied Growth Rate	8.30%

### MG Opinion

Current Price	\$128.82
% of Intrinsic Value	254.26%
<b>Opinion</b>	<b>Overvalued</b>
<b>MG Grade</b>	<b>B</b>

## Stage 3: Information for Further Research

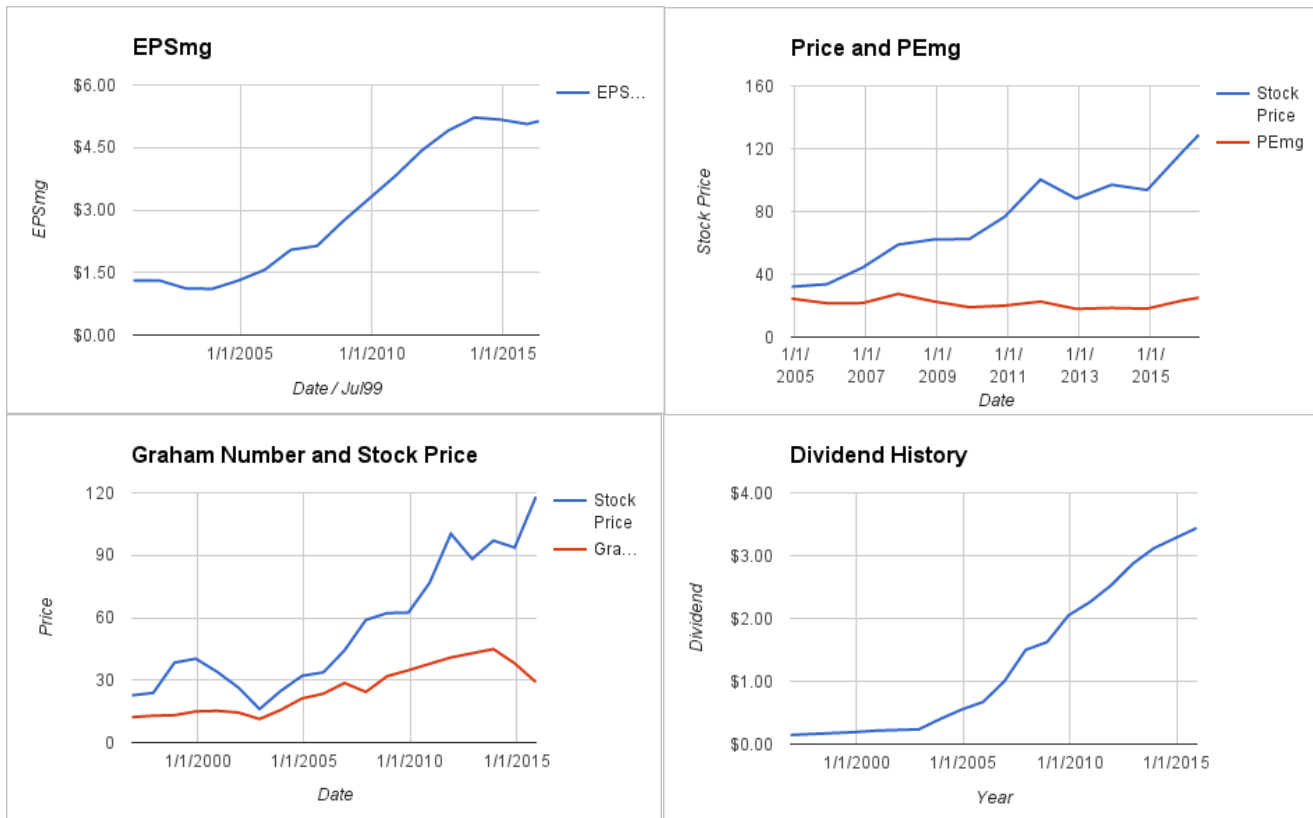
Net Current Asset Value (NCAV)	-\$27.80
Graham Number	\$22.75
PEmg	25.10
Current Ratio	1.77
PB Ratio	29.84
Current Dividend	\$3.48
Dividend Yield	2.70%
Number of Consecutive Years of Dividend Growth	20

### Useful Links:

[ModernGraham tagged articles](#)      [Morningstar](#)  
[Google Finance](#)                      [MSN Money](#)

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$5.37	Next Fiscal Year Estimate	\$5.13
12/1/2015	\$4.80	12/1/2015	\$5.06
12/1/2014	\$4.82	12/1/2014	\$5.17
12/1/2013	\$5.55	12/1/2013	\$5.22
12/1/2012	\$5.36	12/1/2012	\$4.91
12/1/2011	\$5.27	12/1/2011	\$4.43
12/1/2010	\$4.58	12/1/2010	\$3.83
12/1/2009	\$4.11	12/1/2009	\$3.28
12/1/2008	\$3.76	12/1/2008	\$2.74
12/1/2007	\$1.98	12/1/2007	\$2.14
12/1/2006	\$2.83	12/1/2006	\$2.05
12/1/2005	\$2.04	12/1/2005	\$1.56
12/1/2004	\$1.79	12/1/2004	\$1.31
12/1/2003	\$1.15	12/1/2003	\$1.11
12/1/2002	\$0.70	12/1/2002	\$1.12
12/1/2001	\$1.25	12/1/2001	\$1.31
12/1/2000	\$1.46	12/1/2000	\$1.30
12/1/1999	\$1.39	<b>Balance Sheet Information 3/1/2016</b>	
12/1/1998	\$1.10	Total Current Assets	\$5,051,600,000
12/1/1997	\$1.15	Total Current Liabilities	\$2,858,700,000
12/1/1996	\$1.11	Long-term Debt	\$23,352,600,000
		Total Assets	\$33,795,400,000
		Intangible Assets	\$2,569,800,000
		Total Liabilities	\$29,932,400,000
		Shares Outstanding (Diluted Average)	894,900,000





**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**

- [McDonald's Corporation – November 2015 Update \\$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](#)
- [10 Companies in the Spotlight This Week – 11/15/13](#)

**Other ModernGraham posts about related companies**

- [Chipotle Mexican Grill Inc Stock Valuation – February 2016 \\$CMG](#)
- [McDonald's Corporation – November 2015 Update \\$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](#)
- [Starbucks Corporation Annual Valuation – 2015 \\$SBUX](#)