

ModernGraham Valuation

McDonald's
Corporation



Company Name:

Company Ticker MCD

Date of Analysis

2/24/2018

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	\$129,989,098,133	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.28	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	35.32%	Pass
6. Moderate PEmg Ratio	PEmg < 20	26.70	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	-38.14	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	1.28	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	27.05	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 Score		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$6.11
MG Growth Estimate	2.73%
MG Value	\$85.30
MG Value based on 3% Growth	\$88.57
MG Value based on 0% Growth	\$51.92
Market Implied Growth Rate	9.10%

MG Opinion

Current Price	\$163.06
% of Intrinsic Value	191.15%
Opinion	Overvalued
MG Grade	C

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$38.41
Graham Number	\$0.00
PEmg	26.70
Current Ratio	1.28
PB Ratio	-38.14
Current Dividend	\$3.83
Dividend Yield	2.35%
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	\$7.08	Next Fiscal Year Estimate	\$6.11
Dec2017	\$6.37	Dec2017	\$5.55
Dec2016	\$5.44	Dec2016	\$5.15
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	Balance Sheet Information 9/1/2017	
Dec2000	\$1.46	Total Current Assets	\$4,790,300,000
Dec1999	\$1.39	Total Current Liabilities	\$3,740,200,000
Dec1998	\$1.10	Long-Term Debt	\$28,402,600,000
		Total Assets	\$32,559,600,000
		Intangible Assets	\$2,373,300,000
		Total Liabilities	\$36,037,200,000
		Shares Outstanding (Diluted Average)	813,500,000





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

- [5 Overvalued Dow Components – December 2016](#)
- [McDonald's Corp Valuation – November 2016 \\$MCD](#)
- [5 Overvalued Dow Components – July 2016](#)
- [McDonald's Corporation Valuation – May 2016 \\$MCD](#)
- [McDonald's Corporation – November 2015 Update \\$MCD](#)

Other ModernGraham posts about related companies

- [El Pollo LoCo Holdings Inc Valuation – Initial Coverage \\$LOCO](#)
- [Chipotle Mexican Grill Inc Valuation – March 2017 \\$CMG](#)
- [Sonic Corporation Valuation – Initial Coverage \\$SONC](#)
- [Darden Restaurants Inc Valuation – February 2017 \\$DRI](#)
- [Jack in the Box Inc Valuation – Initial Coverage \\$JACK](#)
- [Chuy's Holdings Inc Valuation – Initial Coverage \\$CHUY](#)
- [Yum Brands Inc Valuation – December 2016 \\$YUM](#)
- [McDonald's Corp Valuation – November 2016 \\$MCD](#)
- [Chipotle Mexican Grill Inc Valuation – August 2016 \\$CMG](#)
- [Yum! Brands Inc Valuation – August 2016 \\$YUM](#)