MCDONALD'S CORP. NYSE-MCD

RECENT PRICE **92.28** | P/E RATIO **17.0** (Trailing: 18.1 / Median: 16.0) | RELATIVE P/E RATIO **1.26** | DIV'D YLD **3.0%** | **VALUE LINE**

TIMELINESS 3 Lowered 12/10/10
SAFETY 1 New 7/27/90
TECHNICAL 2 Lowered 12/2/11
BETA .65 (1.00 = Market)

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	120	(+30%)	*10%*
Low	100	(+10%)	*5%*

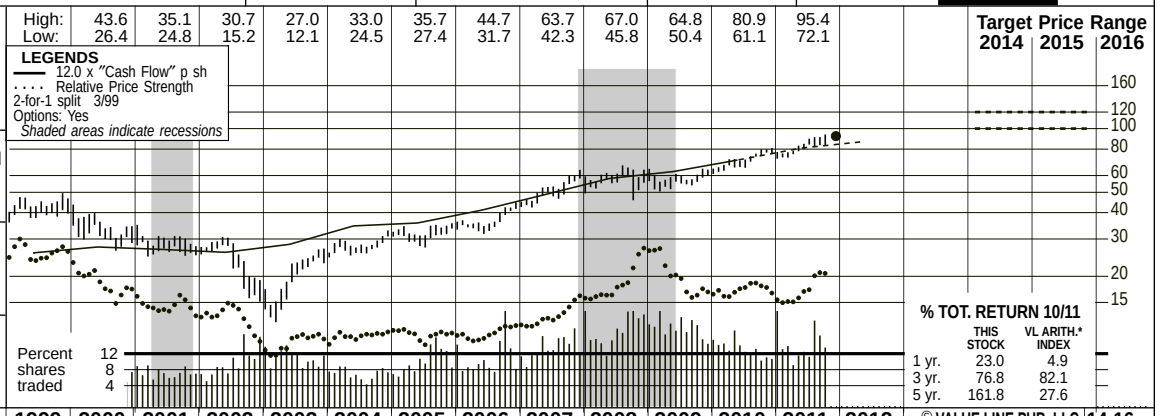
Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	0	0	0	0	0	0
Options	1	1	0	0	2	0	3	1	0
to Sell	1	1	0	2	2	1	3	1	0

Institutional Decisions

	4Q2010	1Q2011	2Q2011
to Buy	608	659	550
to Sell	568	531	600
Hld's(000)	724697	696425	700365

	High:	43.6	35.1	30.7	27.0	33.0	35.7	44.7	63.7	67.0	64.8	80.9	95.4
	Low:	26.4	24.8	15.2	12.1	24.5	27.4	31.7	42.3	45.8	50.4	61.1	72.1



% TOT. RETURN 10/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	23.0	4.9
3 yr.	76.8	82.1
5 yr.	161.8	27.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
7.00	7.69	8.32	9.16	9.82	10.92	11.61	12.15	13.58	15.01	16.20	17.93	19.55	21.09	21.12	22.85	*26.40*	*28.40*	Revenues per sh	*34.60*
1.49	1.63	1.76	1.95	2.15	2.29	2.23	2.16	2.36	2.88	2.98	3.43	4.06	4.85	5.22	5.92	*6.75*	*7.25*	"Cash Flow" per sh	*8.65*
.99	1.11	1.15	1.26	1.39	1.46	1.36	1.32	1.43	1.93	1.97	2.30	2.91	3.67	3.98	4.60	*5.25*	*5.70*	Earnings per sh [A]	*6.90*
.13	.15	.16	.18	.20	.22	.23	.24	.40	.55	.67	1.00	1.50	1.63	2.05	2.26	*2.54*	*2.85*	Div'ds Decl'd per sh [B]■	*3.40*
1.47	1.71	1.54	1.39	1.38	1.49	1.49	1.58	1.04	1.12	1.27	1.45	1.67	1.92	1.81	2.03	*2.55*	*2.90*	Cap'l Spending per sh	*3.25*
5.36	6.02	6.45	6.98	7.14	7.05	7.41	8.11	9.50	11.18	11.99	12.84	13.11	12.00	13.03	13.89	*13.10*	*14.50*	Book Value per sh [C]	*18.40*
1399.4	1389.2	1371.4	1356.2	1350.8	1304.9	1280.7	1268.2	1261.9	1269.9	1263.2	1203.7	1165.3	1115.3	1076.7	1053.6	*1020.0*	*1000.0*	Common Shs Outst'g [D]	*925.0*
19.0	21.5	21.0	24.7	30.4	22.9	20.9	18.3	14.1	14.4	16.2	16.0	17.6	15.8	14.4	15.4	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*16.0*
1.27	1.35	1.21	1.28	1.73	1.49	1.07	1.00	.80	.76	.86	.86	.93	.95	.96	.99			Relative P/E Ratio	*1.05*
.7%	.6%	.7%	.6%	.5%	.7%	.8%	1.0%	2.0%	2.0%	2.1%	2.7%	2.9%	2.8%	3.6%	3.2%			Avg Ann'l Div'd Yield	*3.1%*
14870	15406	17141	19065	20460	21586	22787	23522	22745	24075	*26950*	*28400*	Revenues ($mill)	*32000*						
27.2%	26.1%	25.6%	26.3%	26.2%	26.4%	22.3%	32.5%	34.2%	35.6%	*35.6%*	*35.5%*	Operating Margin	*33.5%*						
1086.3	1050.8	1148.2	1201.0	1249.5	1249.9	1214.1	1207.8	1216.2	1276.2	*1395*	*1430*	Depreciation ($mill)	*1600*						
1772.6	1692.0	1831.4	2458.6	2509.8	2873.0	3522.6	4201.1	4405.5	4961.9	*5485*	*5815*	Net Profit ($mill)	*6380*						
29.9%	32.7%	33.5%	28.3%	31.5%	31.0%	1.4%	31.8%	30.4%	29.3%	*31.5%*	*31.0%*	Income Tax Rate	*31.0%*						
11.9%	11.0%	10.7%	12.9%	12.3%	13.3%	15.5%	17.9%	19.4%	20.6%	*20.4%*	*20.5%*	Net Profit Margin	*19.9%*						
d429.0	d706.9	d600.4	d662.7	1813.4	617.2	d916.6	979.7	427.6	1443.8	*d500*	*500*	Working Cap'l ($mill)	*650*						
8555.5	9703.6	9342.5	8357.3	8937.4	8416.5	7310.0	10186	10560	11497	*11000*	*11000*	Long-Term Debt ($mill)	*10000*						
9488.4	10281	11982	14202	15146	15458	15280	13383	14034	14634	*13350*	*14500*	Shr. Equity ($mill)	*17000*						
11.1%	9.4%	9.5%	11.6%	11.1%	12.8%	16.4%	18.8%	18.8%	19.8%	*23.5%*	*24.0%*	Return on Total Cap'l	*24.0%*						
18.7%	16.5%	15.3%	17.3%	16.6%	18.6%	23.1%	31.4%	31.4%	33.9%	*41.0%*	*40.0%*	Return on Shr. Equity	*37.5%*						
15.6%	13.6%	11.1%	12.4%	11.0%	10.7%	11.5%	17.8%	15.5%	17.5%	*21.0%*	*20.0%*	Retained to Com Eq	*19.0%*						
16%	18%	27%	28%	34%	42%	50%	43%	51%	49%	*48%*	*50%*	All Div'ds to Net Prof	*49%*						

CAPITAL STRUCTURE as of 9/30/11
Total Debt $12529.6 mill. **Due in 5 Yrs** $4610 mill.
LT Debt $10988.1 mill. **LT Interest** $550.0 mill.
(LT interest earned: 17.7x; total interest coverage: 16.2x) (45% of Cap'l)
Leases, Uncapitalized Annual rentals $1200 mill.

No Defined Benefit Pension Plan
Pfd Stock None

Common Stock 1,023,218,317 shs.

MARKET CAP: $94 billion (Large Cap)

CURRENT POSITION ($MILL.)	2009	2010	9/30/11
Cash Assets	1796.0	2387.0	2388.8
Receivables	1060.4	1179.1	1203.9
Inventory (FIFO)	106.2	109.9	115.0
Other	453.7	692.5	714.2
Current Assets	3416.3	4368.5	4421.9
Accts Payable	636.0	943.9	750.1
Debt Due	18.1	8.3	1541.5
Other	2334.6	1972.5	2786.6
Current Liab.	2988.7	2924.7	5078.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	8.0%	8.0%	*8.0%*
"Cash Flow"	9.5%	14.0%	*8.5%*
Earnings	11.5%	18.0%	*9.0%*
Dividends	26.0%	29.5%	*9.5%*
Book Value	6.5%	3.5%	*6.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	5615	6075	6267	5565	23522
2009	5078	5647	6047	5973	22745
2010	5610	5946	6305	6214	24075
2011	6112	6905	7166	*6767*	*26950*
2012	*6500*	*7250*	*7550*	*7100*	*28400*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.81	.94	1.05	.87	3.67
2009	.83	.97	1.15	1.03	3.98
2010	1.03	1.13	1.29	1.15	4.60
2011	1.15	1.35	1.45	*1.30*	*5.25*
2012	*1.20*	*1.47*	*1.61*	*1.42*	*5.70*

Calendar	QUARTERLY DIVIDENDS PAID [B] ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	- -	- -	- -	1.50	1.50
2008	.375	.375	.375	.50	1.63
2009	.50	.50	.50	.55	2.05
2010	.55	.55	.55	.61	2.26
2011	.61	.61	.61	.70	

BUSINESS: McDonald's Corporation operated, franchised, or licensed 33,144 fast-food restaurants in the United States, Canada, and overseas, under the *McDonald's* banner (as of 9/30/11). About 81% are operated by franchisees or affiliates, with the remainder under the control of the company. Foreign operations contributed 66% of systemwide sales and 54% of consolidated operating profits in 2010. The company sold a stake in *Pret A Manger* in 2008. Spun off *Chipotle Mexican Grill* in 2006 and *Boston Market* in 2007. Has about 400,000 employees. Officers/directors own less than 1% of common stock (4/11 Proxy). President & CEO: Jim Skinner. Inc.: DE. Addr.: One McDonald's Plaza, Oak Brook, Illinois 60523. Telephone: 630-623-3000. Internet: www.mcdonalds.com.

McDonald's reported in-line third-quarter results. Earnings of $1.45 a share matched our estimate and were 12% better than the year-earlier tally. Revenues of $7.17 billion were slightly ahead of our $7.05 billion forecast, as comparable-store sales climbed 5.0%. Favorable currency movements also helped results.

The fourth quarter got off to a good start. Same-store sales rose a better-than-expected 5.5% in October, with the segment comprised of Asia/Pacific, the Middle East, and Africa showing the most strength (up 6.1%), followed by the United States (up 5.2%). On our shores, sales were driven by the *Monopoly* promotion, classic menu items, beverages, and breakfast. All told, we're maintaining our fourth-quarter earnings estimate of $1.30 a share and our 2011 forecast of $5.25.

The company is not resting on its laurels. Capital spending will likely increase to about $2.9 billion in 2012, as McDonald's has plans to open more than 1,300 restaurants next year, in addition to remodeling 2,400. This is all part of the company's broader strategy to modernize and increase accessibility to its brand. Investments in technology are also on tap, which, combined with marketing initiatives surrounding the summer Olympics in London, will likely cause SG&A expenses to rise at a faster rate than sales. Meanwhile, management's initial take on commodity cost inflation for next year is 4.5%-5.5% in the U.S. and 2.5%-3.5% in Europe. All told, we look for sales to climb 5%, to $28.4 billion, and for earnings per share to advance 9%, to $5.70.

The restauranteur recently raised the quarterly dividend 15%, from $0.61 a share to $0.70, making this issue an even more attractive income vehicle. Annual increases in the payout have been the norm for many years now, a trend we expect to continue, thanks in part to McDonald's strong cash flow.

This neutrally ranked stock is modestly appealing for risk-conscious investors. McDonald's has a stable business and performs well in both strong and weak economic backdrops. It also operates from a solid financial position. Moreover, the stock has a low Beta and garners top marks for Safety and Price Stability.

Matthew E Spencer, CFA December 2, 2011

(A) Based on avg. shares through '96; diluted after. Excl. nonrecur. gain/(loss): '95, (1¢); '98, (8¢); '01, (11¢); '02, (55¢); '03, (25¢); '04, (6¢); '05, 3¢; '06, 53¢; '07, (93¢); '08, 9¢; '09, 13¢; '10, (2¢). Excl. cum. effect of accting change: '02, (7¢); '03, (3¢); '04, (8¢). Incl. tax benefit: '04, 7¢. Excl. tax benefit '05, 4¢. Next egs. rpt. due late January. **(B)** Beginning 3/08 div'ds expected to be paid mid Mar., Jun., Sep., Dec. ■ Div'd. reinvestment plan available. **(C)** Incl. intang. At 12/31/10: $2,586.1 mill. $2.45/share. **(D)** In mill., adj. for split.

Company's Financial Strength	A++
Stock's Price Stability	100
Price Growth Persistence	85
Earnings Predictability	100

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