

THE ISSUE SUPERSIZE PROFITS

Fast food giant McDonald's reported stronger than expected operating income of \$2.1bn (€1.8bn) for the first quarter of 2018, with net income amounting to almost \$1.4bn, up 8% on the same quarter last year. Global comparable stores sales — defined as sales at stores that are open at least one year — grew by 5.5% year-on-year. McDonald's quarterly revenues fell by 9.5% to \$5.14bn, however, as it continued to overhaul its business by refranchising thousands of stores.

Sales in the US rose by a reasonable 2.9% in the first quarter, driven by price increases and changes to its menus, including its discount \$1, \$2 and \$3 menu. International like-for-like sales grew by 7.8% while sales in developing markets grew by 4.7%. Management highlighted the company's ambition to continue to build on recent positive momentum by increasing sales across all segments while enhancing profitability.

THE BOSS STEVE EASTERBROOK

English executive Steve Easterbrook took over as chief executive of McDonald's in March 2015 during a period of falling profits and loss of market share. He quickly addressed its issues, introducing healthier menu options and customer ordering kiosks. Easterbrook studied natural sciences at Durham University and trained as an accountant at PwC. He joined McDonald's in 1993 as a financial reporting manager and became head

of McDonald's Europe in 2010. He left in 2011, taking head roles in PizzaExpress and Wagamama, before returning to McDonald's in 2013.

THE ANALYST DAVID FAHY, CANTOR

McDonald's shares rose steadily after this strong set of results, which marked 11 consecutive quarters of positive sales growth at the company. McDonald's has faced its challenges head-on by focusing on improvement and development of its menus, stores and digital platform. Consistent earnings growth and improved profitability have led investors to be more optimistic for the restaurant chain's future. The stock currently trades at 20.95 times estimated FY 2018 earnings and with a FY 2018 dividend yield of 2.55%.

◆ McDonald's



Source: FT.com

Market cap: \$130.2bn (€102bn); **Share price:** \$165.03; **DPS:** \$4.089; **EPS:** \$7.668; **Leading shareholders:** Vanguard, 7.38%; Blackrock, 7.06%; State Street, 5.19%; Capital Group, 4.36%; FMR, 1.79%