

THE ISSUE THIRD-QUARTER EARNINGS

Last week, McDonald's reported stronger than anticipated third quarter earnings with the headline revenue figure increasing by 19.4% since the same period last year. Same store sales grew by 4.2%, above market estimates of 3.7%.

Again, growth was driven by non-US segments, which now account for two thirds of revenue. International markets saw sales grow by 5.4%, driven by the UK, Australian and French markets.

The US segment was slightly disappointing, as same store sales rose 2.4%, in line with expectations; however this growth was primarily driven by higher prices as opposed to higher customer numbers. Breakfast sales, 25% of total, also struggled.

Chief executive Steve Easterbrook was bullish on the company's future as it continues to roll out fresher menu options and upgrade and refurbish franchises internationally.

THE BOSS STEVE EASTERBROOK

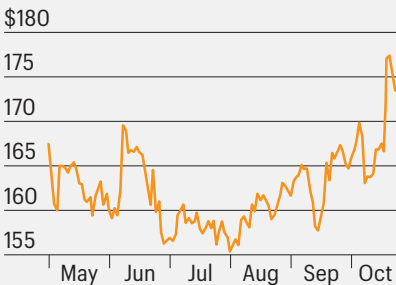
Steve Easterbrook, 51, took over as chief executive in March 2015 as falling profits and loss of market share spooked investors. He mended the chain's image with healthier and more fashionable menu options. Having joined McDonald's in 1993, as a financial reporting manager, he became head of McDonald's Europe in 2010. He left in 2011, taking head roles at PizzaExpress and Wagamama, before returning in 2013. A science

graduate of Durham University and PwC trainee, he restored double-digit earnings growth. Shares have risen 85% under his reign.

THE ANALYST DAVID FAHY, CANTOR

Overall, these were strong results, which led the stock to rise 6.3% on the day. Thirteen consecutive quarters of positive sales growth has helped regain some of the 500m customers lost since 2012. As customers opt for healthier, more natural produce, McDonald's focused on improvement and development of its menus, stores and digital platform. Although America is a concern, management says renovation and menu alterations will spur growth. The stock trades at 22.91 times estimated 2018 earnings with a dividend yield of 2.34%.

◆ McDonald's



Source: FT.com

Share price: \$173.34; **Market cap:** \$134.48bn (€117.7bn); **DPS:** \$4.15; **EPS:** \$7.733; **Top five shareholders:** Vanguard, 8.35%; Blackrock, 6.77%; State Street Corp, 4.88%; Capital Group Cos Inc, 3.77%; FMR LLC, 2.51%