AZ STOCKS
Stocks from A to Z

McDonald's

A very high-quality franchise and real estate platform that today trades close to its intrinsic value

DEEP DIVE

November 2026

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COMPANY PROFILE

McDonald's

THESIS

The real business is behind the burger. The analysis assesses how McDonald's built a global model based on franchises, royalties and a valuable real estate portfolio, and what the company is really worth.

THE COMPANY

McDonald's, founded in 1940 and headquartered in Chicago, has more than 46,000 restaurants worldwide. About 95% are run by franchisees and licensees.

The company keeps the brand, the operating system and much of the real estate, and collects royalties and rent on restaurant sales. In 2025 it reported USD 26.9 billion of revenue, while the whole system sold USD 139.4 billion.

TARGET PRICE
USD 268

UPSIDE / DOWNSIDE
-3.6%

SECTOR
Consumer Discretionary

EXCHANGE
NYSE

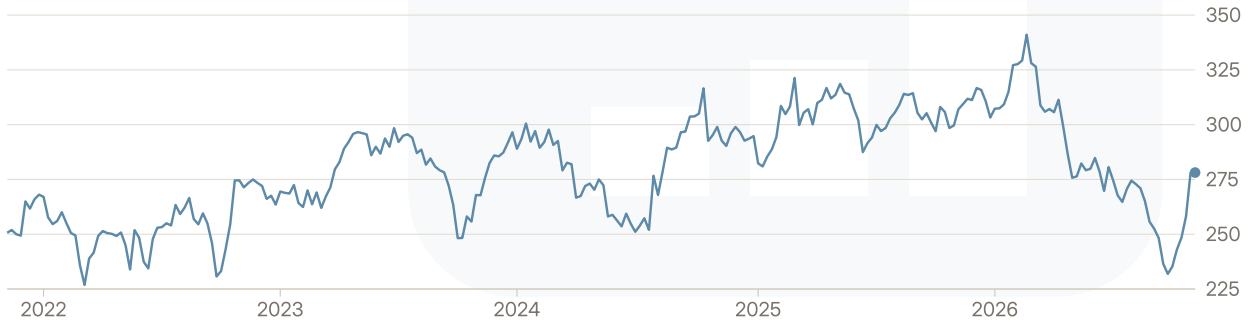
CURRENCY
USD

LAST UPDATED
November 2026

MARKET DATA AS OF 2026-11-06

PRICE	52-WEEK RANGE	5-YEAR CHANGE	BETA (5Y)
USD 278.13	229.20 – 341.75	+11%	0.38

WEEKLY SHARE PRICE, LAST 5 YEARS



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SECTION 01

Introduction

McDonald's is an American company founded in 1940 and headquartered in Chicago. At first glance it looks like a global restaurant chain. Economically speaking, it looks much less like a traditional restaurant than one might imagine.

At the end of 2025 the system had 45,356 restaurants and, by June 2026, it had already reached 46,028. The vast majority are not operated by the company. **Roughly 95% are in the hands of franchisees, developmental licensees or affiliates, while McDonald's keeps the brand, the operating system, a significant part of the real estate and the right to collect royalties and rent on the sales of those restaurants.**

This distinction is fundamental. In 2025 McDonald's reported revenue of US$26.9 billion, but the system as a whole generated US$139.4 billion in sales. Reported revenue is only a fraction of the economic volume that flows through the network.

In other words, when we analyze McDonald's we are not just analyzing the sale of Big Macs. We are analyzing a platform of franchising, real estate, distribution, marketing and technology that gets paid for taking part in the sales of more than 45,000 restaurants.

SECTION 02

Business model

The system is divided into three main types of restaurants:

1. Conventional franchised

This is the most important model. McDonald's generally owns the land or secures a long-term lease on the land and the building. The franchisee finances equipment, signage, furniture and much of the operation. In exchange for the right to use the brand and the system, it pays rent, royalties on sales and initial fees.

Contracts usually last about 20 years. At expiry, McDonald's keeps control of the property and can renew with the same operator, choose another or close the restaurant. That control of the location is a little-visible but very relevant part of the model.

2. Developmental licensees & affiliates

a) Developmental licensees: operators to whom McDonald's grants the license to develop the brand across a whole country or region. The licensee finances 100% of the business (including real estate). McDonald's invests no capital and only collects royalties based on a percentage of sales. The largest example in the world is Arcos Dorados in Latin America.

b) Affiliates: they work just like the previous ones, but with one key difference: McDonald's holds an equity stake in the local company. The clearest examples are McDonald's Japan and China, where the parent company has capital invested and records its share of net income under the equity method.

3. Company-owned restaurants

Only 2,039 restaurants were operated directly by McDonald's at the end of 2025. These restaurants generate the full revenue of every sale, but they also bear the cost of each product, wages and operating expenses. Their margins are considerably lower than those of the franchised business.

In general, McDonald's reports revenue according to whether it comes from franchises, company-owned restaurants or other revenue (technology platform fees or brand licensing for consumer products).

Revenues

Dollars in millions	**2025**
Franchised revenues:	
U.S.	$ 7,371
International Operated Markets	7,279
International Developmental Licensed Markets & Corporate	1,898
Total	$16,548
Company-owned and operated sales:	
U.S.	$ 3,115
International Operated Markets	6,131
International Developmental Licensed Markets & Corporate	443
Total	$ 9,690
Total Franchised revenues and Company-owned and operated sales:	
U.S.	$10,487
International Operated Markets	13,410
International Developmental Licensed Markets & Corporate	2,342
Total	$26,238
Total Other revenues	$ 647
Total Revenues	$26,885

Source: 2025 10-K.

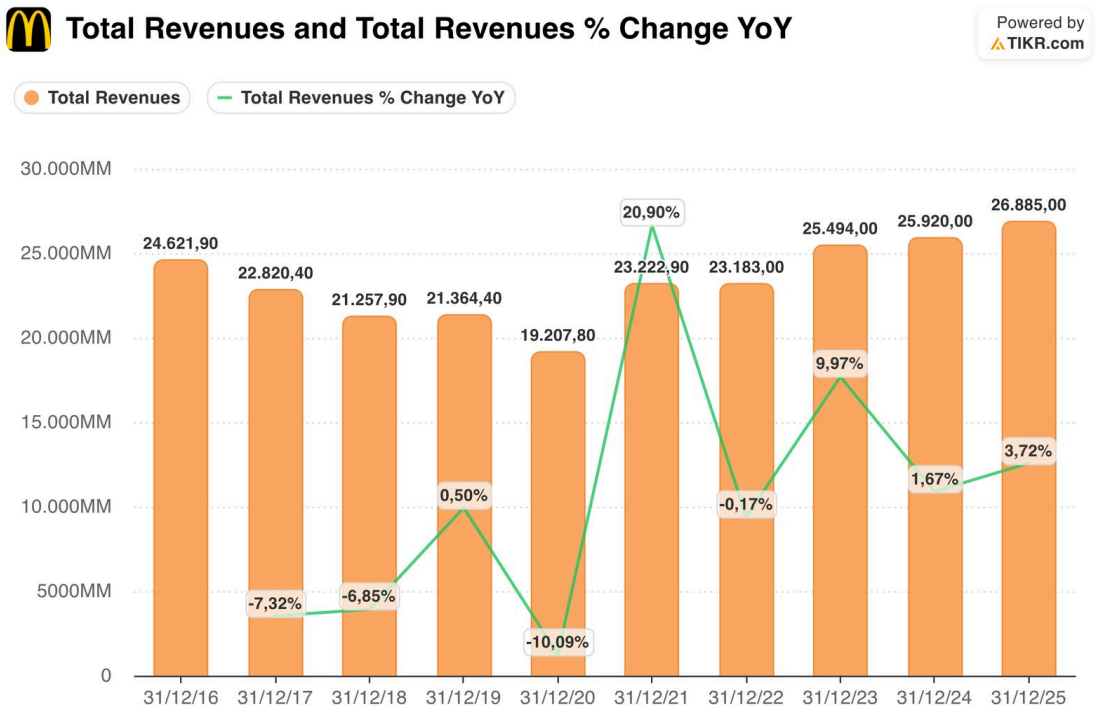
61.6% of revenue comes from the franchise system, while about 36% comes from company-owned restaurants. In the introduction I mentioned that 95% of restaurants are franchised, which means that only 5% of restaurants generate 36% of revenue.

If so few restaurants generate so much revenue, wouldn't McDonald's be better off owning more of them? The trick is in the margins. Franchised restaurants contributed about 90% of restaurant margin dollars in 2025. I will come back to this point later.

SECTION 03

Business quality

Revenue

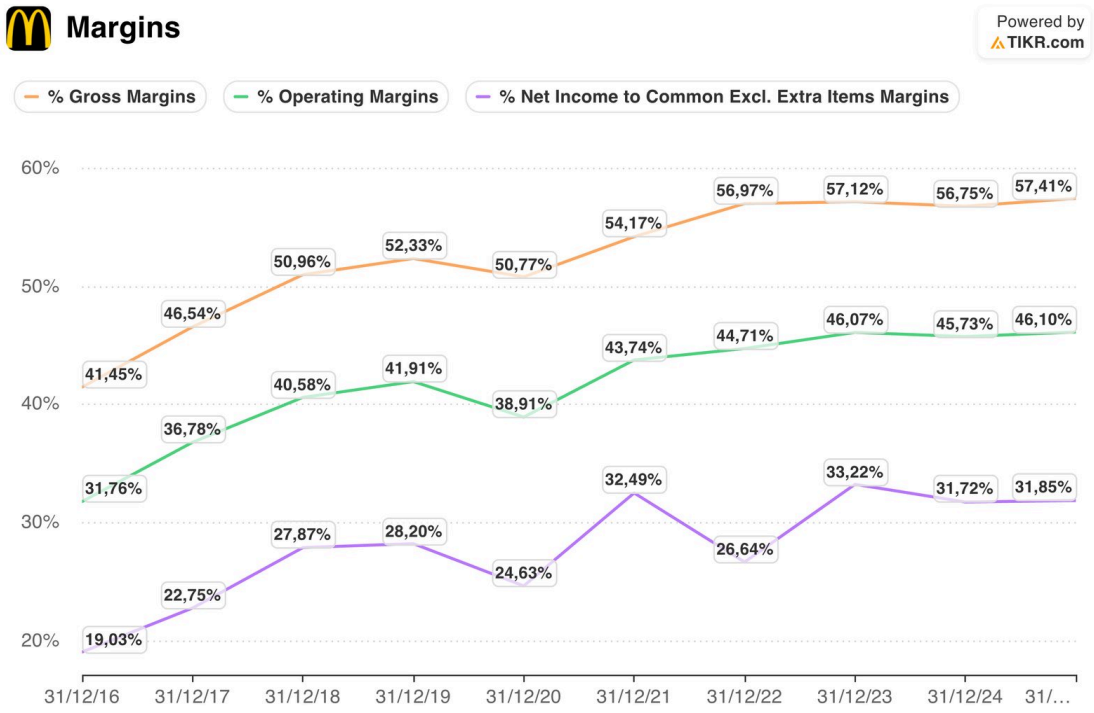


Source: Tikr.

Looking only at reported revenue, McDonald's could seem a fairly mediocre business, if not a bad one. In 2016 it had revenue of USD 24.6 billion and in 2025 USD 26.9 billion. That implies a compound annual growth rate below 1%.

The problem is that this reading ignores refranchising. One of the things I enjoy about analyzing companies is spotting this kind of thing. For years McDonald's sold company-owned restaurants to franchisees. In doing so, it stops consolidating 100% of the sales of those restaurants and records mainly rent and royalties. Reported sales fall sharply, but the system gets better for McDonald's because its margins rise significantly.

That is why I prefer to follow margins in this case. While reported sales barely grew over the decade, gross profit rose more than 50%, operating income almost 59% and EPS more than doubled.



Source: Tikr.

Two other aspects seem relevant to me: the recurring nature of the model and its stability in crises. Recurrence is high for two reasons: first, because it is frequent, low-ticket consumption; second, because much of the revenue is calculated as a percentage of franchisee sales through royalties and rent. As long as the network keeps operating and selling, McDonald's earns a share of that volume. As for stability, the business competes on value and convenience. It is not immune, but during the pandemic, one of the most critical moments ever for eating out, sales fell 10% and margin compression was very limited. One year later it was already above pre-pandemic levels.

Geographic segments

McDonald's organizes its operations into three segments. **The United States** is the single most important market and is 95% franchised. **International Operated Markets** includes countries such as Australia, Canada, France, Germany, Italy, Poland, Spain and the United Kingdom, with about 89% of restaurants franchised. **International Developmental Licensed Markets & Corporate** mainly includes markets run by developmental licensees, plus the stakes in China and Japan and corporate activities.

Segmento 2025	Revenue	% revenue	Operating income
U.S.	US$10.825 MM	40,30%	**US$5.808 MM**
International Operated Markets	US$13.633 MM	50,70%	**US$6.382 MM**
IDL Markets & Corporate	US$2.427 MM	9,00%	**US$203 MM**

Source: author's analysis based on the 2025 10-K.

Latest results: third quarter of 2026

In early November McDonald's reported third-quarter results. Revenue was **USD 7.16 billion (+1%)** and systemwide sales exceeded USD 38 billion (+4%). Operating income grew 7% to USD 3.6 billion, with a margin close to 50%, and **adjusted EPS was USD 3.57 (+11%)**.

The weaker part is comparable sales: **+1.5% globally, versus +3.6% a year earlier**. By segment:

- **United States:** -0.2%. Traffic remains the problem, especially among lower-income consumers. The CEO pointed to an improvement as the quarter progressed thanks to new value promotions.
- **International Operated Markets:** +1.4%.
- **International Developmental Licensed Markets:** +4.2%, the most dynamic segment.

In the first nine months revenue totals USD 20.8 billion (+5%), operating income USD 9.9 billion (+7%) and adjusted EPS USD 9.78 (+8%). The company also raised its quarterly dividend by 4% to USD 1.93 per share and maintains its plan to open about 2,600 restaurants in 2026.

My reading is that the model keeps working exactly as expected: even when comparable sales slow, margins and earnings per share keep growing. But weak traffic in the United States is a signal to watch closely.

Vertical analysis

INCOME STATEMENT

Fiscal year Income Statement — % of revenue	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Total Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost of Goods Sold	(58.6%)	(53.5%)	(49.0%)	(47.7%)	(49.2%)	(45.8%)	(43.0%)	(42.9%)	(43.2%)	(42.6%)	**(42.9%)**	**(43.5%)**
Gross Profit	**41.4%**	**46.5%**	**51.0%**	**52.3%**	**50.8%**	**54.2%**	**57.0%**	**57.1%**	**56.8%**	**57.4%**	**57.1%**	**56.5%**
Selling General & Admin Expenses	(9.7%)	(9.8%)	(9.3%)	(9.2%)	(11.7%)	(10.2%)	(10.7%)	(9.6%)	(9.3%)	(9.6%)	**(9.5%)**	**(9.9%)**
Total Operating Expenses	**(9.7%)**	**(9.8%)**	**(10.4%)**	**(10.4%)**	**(11.9%)**	**(10.4%)**	**(12.3%)**	**(11.0%)**	**(11.0%)**	**(11.3%)**	**(11.1%)**	**(11.2%)**
Operating Income	**31.8%**	**36.8%**	**40.6%**	**41.9%**	**38.9%**	**43.7%**	**44.7%**	**46.1%**	**45.7%**	**46.1%**	**46.0%**	**45.3%**
Interest Expense	(3.6%)	(4.0%)	(4.6%)	(5.3%)	(6.3%)	(5.1%)	(5.2%)	(5.3%)	(5.8%)	(5.9%)	**(5.7%)**	**(5.5%)**
EBT Incl. Unusual Items	**27.9%**	**37.6%**	**36.8%**	**37.5%**	**32.0%**	**39.3%**	**33.8%**	**41.3%**	**39.9%**	**40.5%**	**40.6%**	**39.0%**
Income Tax Expense	(8.8%)	(14.8%)	(8.9%)	(9.3%)	(7.3%)	(6.8%)	(7.1%)	(8.1%)	(8.2%)	(8.7%)	**(8.3%)**	**(7.8%)**
Net Income	**19.0%**	**22.8%**	**27.9%**	**28.2%**	**24.6%**	**32.5%**	**26.6%**	**33.2%**	**31.7%**	**31.9%**	**32.3%**	**31.2%**
EBITDA	37.9%	42.8%	47.5%	49.5%	48.0%	51.8%	52.8%	53.8%	53.8%	54.3%	**54.0%**	**53.3%**

Source: author's analysis based on Tikr data.

The most interesting thing about McDonald's income statement is not the evolution of sales but the **huge transformation in its margins** over the last decade. Much of it is linked to the growing weight of the franchised business.

Gross margin rose from 41.4% in 2016 to 57.4% in 2025, and operating margin from 31.8% to 46.1%. Overhead stayed stable at around 9-10% of sales for practically the whole decade. I want to stress again the resilience of 2020, when operating margin fell only from 41.9% to 38.9%. In one of the worst scenarios imaginable for a restaurant business, the impact was very limited.

One of the main points to watch appears further down. It is not a solvency problem today, but it deserves attention: **interest expense rose from about 3.6% of sales in 2016 to 5.9% in 2025**. McDonald's can handle it thanks to its cash generation, but higher debt absorbs a growing share of operating profit.

BALANCE SHEET

Fiscal year Balance Sheet — % of total assets	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Total Cash And Short Term Investments	**3.9%**	**7.3%**	**2.6%**	**1.9%**	**6.6%**	**8.7%**	**5.1%**	**8.2%**	**2.0%**	**1.3%**	**3.8%**	**5.1%**
Total Receivables	**4.8%**	**5.9%**	**7.5%**	**5.0%**	**4.6%**	**4.1%**	**4.2%**	**4.4%**	**4.3%**	**4.1%**	**4.3%**	**4.2%**
Inventory	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	**0.1%**	**0.1%**
Total Current Assets	**15.6%**	**15.8%**	**12.4%**	**7.5%**	**11.9%**	**13.3%**	**10.8%**	**14.2%**	**8.3%**	**7.0%**	**9.9%**	**10.7%**
Net Property Plant And Equipment	68.5%	66.4%	69.6%	78.8%	73.7%	71.1%	72.0%	68.4%	70.0%	72.0%	**70.1%**	**70.7%**
Long-term Investments	2.3%	3.2%	3.7%	2.7%	2.5%	2.2%	2.1%	1.9%	4.9%	4.7%	**3.9%**	**3.2%**
Goodwill	7.5%	7.0%	7.1%	5.6%	5.3%	5.2%	5.7%	5.4%	5.7%	5.6%	**5.6%**	**5.5%**
Other Intangibles	–	–	–	1.4%	1.3%	1.5%	1.7%	1.5%	1.6%	1.8%	**1.6%**	**1.6%**
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Total Current Liabilities	**11.2%**	**8.6%**	**9.1%**	**7.6%**	**11.7%**	**7.5%**	**7.5%**	**12.2%**	**7.0%**	**7.3%**	**8.8%**	**8.3%**
Long-Term Debt	83.4%	87.4%	94.7%	71.8%	66.9%	66.2%	71.4%	66.3%	69.7%	67.2%	**67.7%**	**68.1%**
Capital Leases	–	–	–	26.9%	25.3%	24.2%	24.1%	23.3%	23.4%	23.8%	**23.5%**	**23.7%**
Total Liabilities	**107.1%**	**109.7%**	**119.1%**	**117.3%**	**114.9%**	**108.5%**	**111.9%**	**108.4%**	**106.9%**	**103.0%**	**106.1%**	**107.7%**
Total Equity	**(7.1%)**	**(9.7%)**	**(19.1%)**	**(17.3%)**	**(14.9%)**	**(8.5%)**	**(11.9%)**	**(8.4%)**	**(6.9%)**	**(3.0%)**	**(6.1%)**	**(7.7%)**
Total Debt	**83.7%**	**87.4%**	**94.7%**	**100.1%**	**97.8%**	**91.6%**	**96.7%**	**94.7%**	**94.2%**	**92.1%**	**93.7%**	**93.9%**
Net Debt	79.7%	80.1%	92.1%	98.2%	91.2%	82.9%	91.6%	86.5%	92.2%	90.8%	**89.8%**	**88.8%**

Source: author's analysis based on Tikr data.

McDonald's balance sheet is quite unusual and should be read in light of its business model. It is heavily concentrated in real estate: **net fixed assets (including lease right-of-use assets) represent about 72% of total assets**. Although restaurants are mostly run by franchisees, McDonald's owns or controls a very large part of the land and buildings the network operates on. Behind the appearance of a fast-food company lies a **huge real estate component that is an integral part of the model that generates rent and royalties**.

Cash is minimal (1.3% of assets in 2025) and short-term liquidity has deteriorated: the current ratio went from 1.78x in 2021 to 0.95x in 2025. On the other side is a considerably leveraged balance sheet, with long-term debt of close to USD 40 billion.

One feature of McDonald's balance sheet is negative equity. This does not mean McDonald's is insolvent. The main explanation is decades of accumulated buybacks. For that reason, ratios like debt/equity or ROE lose their meaning.

CASH FLOW

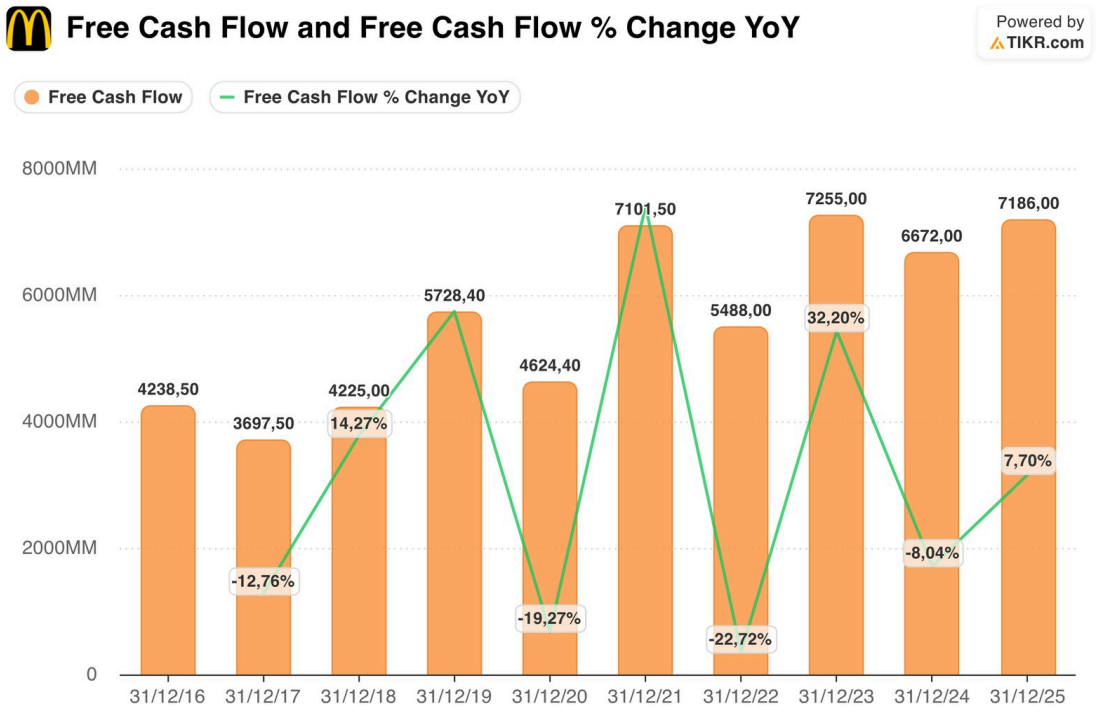
Fiscal year Cash Flow — % of revenue	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Net Income	**19.0%**	**22.8%**	**27.9%**	**28.2%**	**24.6%**	**32.5%**	**26.6%**	**33.2%**	**31.7%**	**31.9%**	**32.3%**	**31.2%**
Total Depreciation & Amortization	**6.2%**	**6.0%**	**7.0%**	**7.6%**	**9.1%**	**8.0%**	**8.1%**	**7.8%**	**8.1%**	**8.2%**	**8.0%**	**8.0%**
Stock-Based Compensation	0.5%	0.5%	0.6%	0.5%	0.5%	0.6%	0.7%	0.7%	0.7%	0.6%	**0.7%**	**0.7%**
Cash from Operations	**24.6%**	**24.3%**	**32.8%**	**38.0%**	**32.6%**	**39.4%**	**31.9%**	**37.7%**	**36.4%**	**39.2%**	**37.8%**	**36.9%**
Capital Expenditure	(7.4%)	(8.1%)	(12.9%)	(11.2%)	(8.5%)	(8.8%)	(8.2%)	(9.2%)	(10.7%)	(12.5%)	**(10.8%)**	**(9.9%)**
Cash Acquisitions	(0.4%)	(0.3%)	(0.5%)	(2.5%)	(0.3%)	(1.6%)	(3.5%)	(1.7%)	(2.6%)	(1.3%)	**(1.9%)**	**(2.1%)**
Cash from Investing	**(4.0%)**	**2.5%**	**(11.5%)**	**(14.4%)**	**(8.0%)**	**(9.3%)**	**(11.6%)**	**(12.5%)**	**(20.6%)**	**(14.2%)**	**(15.8%)**	**(13.6%)**
Total Debt Issued	**15.4%**	**20.7%**	**18.3%**	**24.8%**	**28.9%**	**5.0%**	**14.7%**	**21.3%**	**10.4%**	**17.6%**	**16.4%**	**13.8%**
Total Debt Repaid	**(4.5%)**	**(11.8%)**	**(8.3%)**	**(9.7%)**	**(17.2%)**	**(9.6%)**	**(9.5%)**	**(9.6%)**	**(10.7%)**	**(17.9%)**	**(12.7%)**	**(11.5%)**
Repurchase of Common Stock	(45.4%)	(20.5%)	(24.5%)	(23.3%)	(4.7%)	(3.6%)	(16.8%)	(12.0%)	(10.9%)	(7.6%)	**(10.2%)**	**(10.2%)**
Common Dividends Paid	(12.4%)	(13.5%)	(15.3%)	(16.8%)	(19.5%)	(16.9%)	(18.0%)	(17.8%)	(18.8%)	(19.0%)	**(18.5%)**	**(18.1%)**
Cash from Financing	**(45.7%)**	**(23.3%)**	**(28.0%)**	**(23.4%)**	**(11.7%)**	**(24.1%)**	**(28.4%)**	**(17.2%)**	**(28.9%)**	**(26.5%)**	**(24.2%)**	**(25.0%)**
Free Cash Flow	17.2%	16.2%	19.9%	26.8%	24.1%	30.6%	23.7%	28.5%	25.7%	26.7%	**27.0%**	**27.0%**

Source: author's analysis based on Tikr data.

The cash flow statement is probably where McDonald's ability to turn quality into cash is most visible. It generated USD 10.6 billion of operating cash flow in 2025, equal to 39.2% of sales, one of the highest percentages of the whole period and far above 24.6% in 2016.

After CapEx, free cash flow reached USD 7.2 billion, a 26.7% margin. McDonald's is in a phase of heavy investment: CapEx rose from 8.2% of sales in 2022 to 12.5% in 2025, mainly due to new openings.

In 2025 McDonald's paid USD 5.1 billion in dividends and spent another USD 2.1 billion on buybacks. In total, practically all of the free cash flow generated.



Source: Tikr.

Financial ratios

- **Growth**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Growth												
Revenue growth		(7.3%)	(6.8%)	0.5%	(10.1%)	20.9%	(0.2%)	10.0%	1.7%	3.7%	**5.1%**	**7.2%**
EBIT growth		7.3%	2.8%	3.8%	(16.5%)	35.9%	2.0%	13.3%	0.9%	4.6%	**6.3%**	**11.4%**
Diluted EPS growth		17.1%	18.4%	4.5%	(19.9%)	59.1%	(17.0%)	38.8%	(1.5%)	4.9%	**14.1%**	**16.9%**
Change in diluted shares (dilution / buybacks)		(5.2%)	(3.7%)	(2.7%)	(2.0%)	0.3%	(1.5%)	(1.2%)	(1.4%)	(0.8%)	**(1.1%)**	**(0.9%)**

Source: author's analysis based on Tikr data.

Sales grew 1.7% in 2024 and 3.7% in 2025, and EBIT 0.9% and 4.6%. The three-year EPS average (+14%) is inflated by the low 2022 base. The constant is the falling share count: it dropped every year except 2020, at a pace of about 1% per year.

- **Profitability**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Profitability												
Gross margin	41.4%	46.5%	51.0%	52.3%	50.8%	54.2%	57.0%	57.1%	56.8%	57.4%	**57.1%**	**56.5%**
SG&A % revenue	9.7%	9.8%	9.3%	9.2%	11.7%	10.2%	10.7%	9.6%	9.3%	9.6%	**9.5%**	**9.9%**
R&D % revenue	–	–	–	–	–	–	–	–	–	–	–	–
EBIT margin	31.8%	36.8%	40.6%	41.9%	38.9%	43.7%	44.7%	46.1%	45.7%	46.1%	**46.0%**	**45.3%**
EBITDA margin (EBIT + D&A)	37.9%	42.7%	47.5%	49.5%	48.0%	51.8%	52.8%	53.8%	53.8%	54.3%	**54.0%**	**53.3%**
Net margin	19.0%	22.8%	27.9%	28.2%	24.6%	32.5%	26.6%	33.2%	31.7%	31.9%	**32.3%**	**31.2%**
Stock-based compensation % revenue	0.5%	0.5%	0.6%	0.5%	0.5%	0.6%	0.7%	0.7%	0.7%	0.6%	**0.7%**	**0.7%**
Effective tax rate	31.7%	39.4%	24.2%	24.9%	23.0%	17.3%	21.1%	19.5%	20.5%	21.4%	**20.5%**	**20.0%**

Source: author's analysis based on Tikr data.

EBIT margin went from 31.8% to 46.1% in ten years and has stayed around 46% since 2023. Net margin is around 32%. Stock-based compensation is low (0.6% of sales) and the effective tax rate is stable at around 20-21%.

- **Cash flow and reinvestment**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Cash flow & reinvestment												
Cash from operations % revenue	24.6%	24.3%	32.8%	38.0%	32.6%	39.4%	31.9%	37.7%	36.4%	39.2%	**37.8%**	**36.9%**
FCF margin (TIKR FCF / revenue)	17.2%	16.2%	19.9%	26.8%	24.1%	30.6%	23.7%	28.5%	25.7%	26.7%	**27.0%**	**27.0%**
FCF conversion (FCF / net income)	90.4%	71.2%	71.3%	95.1%	97.7%	94.1%	88.8%	85.7%	81.1%	83.9%	**83.6%**	**86.7%**
Capex % revenue	7.4%	8.1%	12.9%	11.2%	8.5%	8.8%	8.2%	9.2%	10.7%	12.5%	**10.8%**	**9.9%**
D&A % revenue	6.2%	6.0%	7.0%	7.6%	9.1%	8.0%	8.1%	7.8%	8.1%	8.2%	**8.0%**	**8.0%**
Capex / D&A	1.2x	1.4x	1.9x	1.5x	0.9x	1.1x	1.0x	1.2x	1.3x	1.5x	**1.3x**	**1.2x**
D&A % beginning net PP&E		6.4%	6.6%	7.1%	4.7%	4.8%	4.9%	5.4%	5.5%	5.7%	**5.5%**	**5.3%**
Acquisitions % revenue	0.4%	0.3%	0.5%	2.5%	0.3%	1.6%	3.5%	1.7%	2.6%	1.3%	**1.9%**	**2.1%**

Source: author's analysis based on Tikr data.

Free cash flow stays at around 27% of sales, with 84% conversion of net income. The difference is explained by CapEx, which rose to 12.5% of sales (1.5 times depreciation) because of the opening plan. While this expansion phase lasts, conversion of earnings into cash will be somewhat lower than historically.

- **Working capital**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Working capital												
Receivables days (DSO)	21.9	32.1	42.1	40.4	46.3	34.6	33.3	35.6	33.6	33.5	**34.2**	**34.1**
Inventory days (DIO)	1.5	1.8	1.8	1.8	2.0	1.9	1.9	1.8	1.8	1.9	**1.8**	**1.9**
Payables days (DPO)	19.1	27.7	42.3	35.4	28.6	34.5	35.9	36.8	33.5	36.6	**35.7**	**35.5**
Cash conversion cycle (DSO + DIO − DPO)	4.2	6.2	1.6	6.8	19.6	2.0	(0.7)	0.6	1.9	(1.2)	**0.4**	**0.5**
Deferred revenue % revenue	–	–	3.0%	3.1%	3.7%	3.2%	3.3%	3.1%	3.0%	3.5%	**3.2%**	**3.2%**
Operating NWC % revenue	2.0%	1.0%	(0.9%)	(2.9%)	(2.1%)	(5.4%)	(3.4%)	(2.6%)	(0.6%)	(3.6%)	**(2.3%)**	**(3.1%)**

Source: author's analysis based on Tikr data.

Working capital is not an issue at McDonald's: the cash conversion cycle is practically zero and operating working capital is negative (-3.6% of sales). Franchisees pay quickly and inventory is minimal.

- **Returns on capital**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Returns on capital												
NOPAT = EBIT × (1 − normalized tax rate)	6,217	6,671	6,857	7,119	5,941	8,075	8,240	9,338	9,422	9,853	**9,538**	**8,986**
Invested capital = debt + equity − cash & ST inv.	22,529	23,811	23,963	38,447	40,189	40,042	40,204	43,863	47,072	52,265	**47,733**	**44,689**
ROIC = NOPAT / average invested capital		28.8%	28.7%	22.8%	15.1%	20.1%	20.5%	22.2%	20.7%	19.8%	**20.9%**	**20.7%**
ROIC incl. cash = NOPAT / average (debt + equity)		26.7%	26.8%	22.2%	14.3%	18.3%	18.8%	20.5%	19.5%	19.5%	**19.8%**	**19.3%**
Pre-tax ROIC = EBIT / average invested capital (reference)		36.2%	36.1%	28.7%	19.0%	25.3%	25.8%	27.9%	26.1%	25.0%	**26.3%**	**26.0%**
ROE = net income / average equity	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	**n.m.**	**n.m.**
ROA = net income / average total assets		16.0%	17.8%	15.0%	9.4%	14.2%	11.8%	15.9%	14.8%	14.9%	**15.2%**	**14.3%**

Source: author's analysis based on Tikr data.

ROIC was 19.8% in 2025, within the 20-23% range of recent years. It is lower than the 28-29% of 2017-2018 because, since 2019, leases are included in invested capital. On a real estate base of this size, a return close to 20% is a sign of very strong economic quality. ROE is meaningless with negative equity.

- **Leverage and liquidity**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Leverage & liquidity												
Net debt (debt − cash & ST inv.)	24,733	27,079	30,221	46,657	48,014	44,643	46,207	48,570	50,869	54,056	**51,165**	**48,869**
Net debt / EBITDA	2.6x	2.8x	3.0x	4.4x	5.2x	3.7x	3.8x	3.5x	3.6x	3.7x	**3.6x**	**3.7x**
Interest coverage (EBIT / interest expense)	8.8x	9.1x	8.8x	8.0x	6.1x	8.6x	8.6x	8.6x	7.9x	7.8x	**8.1x**	**8.3x**
Debt / (debt + equity), book	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	**n.m.**	**n.m.**
Current ratio	1.40	1.84	1.36	0.98	1.01	1.78	1.43	1.16	1.19	0.95	**1.10**	**1.30**

Source: author's analysis based on Tikr data.

Net debt (including leases) was USD 54.1 billion in 2025, about 3.7x EBITDA. That is high but stable: it has stayed between 3.5x and 3.8x since 2021. Interest coverage is almost 8x.

- **Shareholder returns and valuation**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Shareholder returns & market valuation (TIKR, at fiscal year end)												
Dividends + buybacks % FCF	335.7%	210.2%	200.3%	149.4%	100.8%	67.1%	146.9%	104.6%	115.3%	99.8%	**106.6%**	**106.7%**
EV / EBITDA	13.7x	16.7x	16.4x	18.3x	22.5x	20.4x	19.4x	19.0x	18.6x	18.6x	**18.8x**	**19.2x**
EV / revenue	5.2x	7.1x	7.8x	9.0x	10.8x	10.5x	10.2x	10.3x	10.0x	10.1x	**10.1x**	**10.2x**
P/E	22.2x	26.4x	23.1x	24.7x	33.8x	26.5x	31.2x	25.4x	25.3x	25.4x	**25.4x**	**26.8x**
FCF yield (FCF / market cap)	4.1%	2.7%	3.1%	3.8%	2.9%	3.5%	2.8%	3.4%	3.2%	3.3%	**3.3%**	**3.3%**

Source: author's analysis based on Tikr data.

McDonald's returns practically 100% of its free cash flow to shareholders, and in several years more (funding the difference with debt). At the end of 2025 it traded at 18.6x EBITDA and 25x earnings, with a 3.3% FCF yield. Those are demanding multiples, typical of a business of this quality.

SECTION 04

Management and capital allocation

Chris Kempczinski currently leads McDonald's as Chairman and CEO. In August 2026 the company appointed Skye Anderson as President of McDonald's USA, a relevant decision because the United States is the market where the company acknowledges the greatest need to improve execution and traffic.

Skin in the game

The 2026 proxy statement reports that directors and executives as a group own less than 1% of the shares. Skin in the game through direct ownership is therefore low compared with founder-controlled companies.

Alignment comes more from incentives than from ownership. In 2025 Kempczinski's reported total compensation was about USD 20.6 million. The long-term plan combines performance restricted stock units (PRSUs) and options, and the PRSUs are tied to EPS growth, ROIC and relative total shareholder return. It seems a reasonable structure for a mature company where capital allocation matters as much as sales growth. There are also share ownership requirements for directors and senior officers.

Capital allocation

Historical capital allocation has been clearly shareholder-oriented: refranchising to improve returns, investment in real estate and restaurants, dividends that have grown for almost five decades and steady buybacks. The flip side is a much more aggressive balance sheet than other defensive consumer companies.

McDonald's > NEXT

In June 2026 McDonald's presented **McDonald's > NEXT**, its new global strategy for the next stage of growth and productivity. It is not a break with *Accelerating the Arches* but an evolution of it. The central goal is simple: make McDonald's the consumer's first choice more often.

To get there, the company wants to attract more customers, increase visit frequency and improve the economics of each restaurant. The plan also responds to current challenges: growing competition in categories like chicken, beef and beverages, more price-sensitive consumers and an increasingly automated experience, where speed and convenience must coexist with better service.

SECTION 05

Competitive position

Moat

McDonald's has one of the easiest moats to identify in consumer goods, although not all its components are equally strong.

- **Brand:** probably the most important intangible asset. It lowers customer acquisition costs, makes new launches easier and sustains huge global preference.
- **Scale:** purchasing, advertising, supply chain, technology and development are spread over tens of thousands of restaurants. A small competitor cannot replicate that cost structure.
- **Real estate and locations:** owning or controlling land and buildings gives contractual power and makes the network hard to replicate.
- **Franchise system:** it allows growth with third-party capital and turns restaurant sales into high-margin royalties and rent.
- **Convenience:** the density of restaurants and the infrastructure already in place create an operating advantage, especially in the United States.
- **Data and loyalty program:** I would not yet call it a pure network effect, but a base of hundreds of millions of users allows better personalization, campaign measurement and higher frequency.

What McDonald's does not have is high switching costs for consumers. Switching from McDonald's to Burger King, Wendy's, Taco Bell, Chipotle or a local restaurant costs practically nothing. The moat works because the company has to earn every visit through brand, location, speed, product and price.

Industry characteristics

Fast food is a huge, fragmented and extremely competitive industry. Companies compete on frequency, convenience, value, speed, location and brand relevance. Opening a single restaurant has relatively low barriers, but building a global network of tens of thousands of restaurants, with supply chain, marketing, technology, real estate and franchisees all coordinated, is another story.

The alternatives are not only Burger King or KFC. Coffee shops, supermarkets, home cooking, delivery and independent restaurants also compete. That is why the moat does not come from preventing customers from switching, but from getting them to come back often enough.

The sector is also exposed to wages, commodities, rents, energy, regulation and promotions. The difference is that McDonald's passes a large part of the day-to-day operating risk to its franchisees. This stabilizes corporate cash generation, although it does not eliminate the economic risk of the system: if franchisee profitability deteriorates too much, new unit development also slows.

Market share and TAM

Definitions vary a lot depending on whether one includes only fast food, coffee shops, delivery or all informal eating out. McDonald's historically used the concept of *Informal Eating Out*, which in 2019 represented about USD 1.2 trillion of global sales. That figure helps to understand the size of the opportunity, but it is too old to present as a current TAM.

I prefer to measure growth potential with more concrete metrics. In 2025 McDonald's exceeded USD 139 billion of systemwide sales and ended the year with 45,356 restaurants. By June 2026 it had 46,028 units and management expects to open about 2,600 during the year, with roughly 2,100 net additions. The 50,000-restaurant goal has been moved to 2028. Even for the largest chain in the world, unit growth remains a relevant driver.

There are also specific opportunities within the menu. McDonald's sees chicken as a global category roughly twice the size of beef and growing faster, while the global beverage opportunity exceeds USD 100 billion. The upside does not depend only on opening restaurants: it can also come from gaining share in categories where the network already exists.

The same applies to digital. In mid-2026 McDonald's had almost 220 million active loyalty users in 70 markets and about USD 40 billion of sales to those members over the last twelve months. The higher the share of identified sales, the better the company can personalize promotions, measure marketing returns and raise frequency.

Main competitors

For the comparison of fundamentals I use the following peers: Yum! Brands, Chipotle, Restaurant Brands International and Domino's. They are not perfect comparables, but each helps to look at a different dimension of the business.

Yum! Brands and Restaurant Brands International are the most direct comparables because of their high exposure to franchising and global brands. Chipotle is the opposite end, with company-operated restaurants and a much more asset-intensive structure. Domino's is useful to compare the economics of a franchised network, digitalization and capital efficiency, although its category and accounting structure are different.

Comparison with competitors

- **Growth**

REVENUES

% Change YoY	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
MCDONALD'S CORPORATION	-	(7,3%)	(6,8%)	0,5%	(10,1%)	20,9%	(0,2%)	10,0%	1,7%	3,7%
YUM! BRANDS, INC.	-	(7,5%)	(3,2%)	(1,6%)	1,0%	16,5%	3,9%	3,4%	6,7%	8,8%
CHIPOTLE MEXICAN GRILL, INC.	-	14,7%	8,7%	14,8%	7,1%	26,1%	14,4%	14,3%	14,6%	5,4%
RESTAURANT BRANDS INTERNATIONAL INC.	-	10,4%	17,1%	4,6%	(11,3%)	15,5%	13,3%	7,9%	19,7%	12,2%
DOMINO'S PIZZA, INC.	-	12,8%	23,1%	5,4%	13,8%	5,8%	4,1%	(1,3%)	5,1%	5,0%
Median	***-***	***10,4%***	***8,7%***	***4,6%***	***1,0%***	***16,5%***	***4,1%***	***7,9%***	***6,7%***	***5,4%***
Average	***-***	***4,6%***	***7,8%***	***4,7%***	***0,1%***	***17,0%***	***7,1%***	***6,9%***	***9,6%***	***7,0%***

Source: author's analysis based on Tikr data.

McDonald's was the slowest-growing company in the group in 2025, at 3.7%, and also below the others on the 2023-2025 average of about 5.1%. This does not necessarily mean slower economic growth of the system, because the consolidated revenue of a franchisor does not show the full sales of its franchisees.

- **Margins**

MARGINS

% Gross Margins	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
MCDONALD'S CORPORATION	41,4%	46,5%	51,0%	52,3%	50,8%	54,2%	57,0%	57,1%	56,8%	57,4%
YUM! BRANDS, INC.	42,3%	46,2%	46,8%	50,5%	47,5%	48,1%	48,4%	49,4%	47,5%	46,2%
CHIPOTLE MEXICAN GRILL, INC.	29,2%	31,5%	32,7%	34,1%	34,6%	38,5%	39,1%	40,7%	40,5%	40,1%
RESTAURANT BRANDS INTERNATIONAL INC.	47,4%	49,1%	58,2%	42,7%	39,7%	41,4%	39,9%	39,9%	36,0%	33,8%
DOMINO'S PIZZA, INC.	31,0%	31,1%	27,5%	28,0%	27,5%	27,7%	25,6%	28,0%	28,4%	28,6%
Median	***41,4%***	***46,2%***	***46,8%***	***42,7%***	***39,7%***	***41,4%***	***39,9%***	***40,7%***	***40,5%***	***40,1%***
Average	***38,3%***	***40,9%***	***43,2%***	***41,5%***	***40,0%***	***42,0%***	***42,0%***	***43,0%***	***41,8%***	***41,2%***

% Operating Margin	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
MCDONALD'S CORPORATION	31,8%	36,8%	40,6%	41,9%	38,9%	43,7%	44,7%	46,1%	45,7%	46,1%
YUM! BRANDS, INC.	24,9%	29,7%	31,0%	34,5%	30,0%	32,9%	31,2%	33,6%	33,8%	32,9%
CHIPOTLE MEXICAN GRILL, INC.	1,5%	6,3%	7,2%	8,6%	5,4%	10,9%	13,7%	16,2%	17,3%	16,9%
RESTAURANT BRANDS INTERNATIONAL INC.	40,1%	41,4%	36,3%	36,2%	32,0%	33,5%	31,1%	30,4%	27,6%	26,4%
DOMINO'S PIZZA, INC.	18,4%	18,7%	16,7%	17,4%	17,6%	17,9%	16,5%	18,3%	18,7%	19,3%
Median	***24,9%***	***29,7%***	***31,0%***	***34,5%***	***30,0%***	***32,9%***	***31,1%***	***30,4%***	***27,6%***	***26,4%***
Average	***23,3%***	***26,6%***	***26,4%***	***27,7%***	***24,8%***	***27,8%***	***27,4%***	***28,9%***	***28,6%***	***28,3%***

% Net Income Margin	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
MCDONALD'S CORPORATION	19,0%	22,8%	27,9%	28,2%	24,6%	32,5%	26,6%	33,2%	31,7%	31,9%
YUM! BRANDS, INC.	25,8%	22,8%	27,1%	23,1%	16,0%	23,9%	19,4%	22,6%	19,7%	19,0%
CHIPOTLE MEXICAN GRILL, INC.	0,6%	3,9%	3,6%	6,3%	5,9%	8,7%	10,4%	12,4%	13,6%	12,9%
RESTAURANT BRANDS INTERNATIONAL INC.	14,9%	14,2%	11,4%	11,5%	9,8%	14,6%	15,5%	16,9%	12,1%	8,2%
DOMINO'S PIZZA, INC.	8,7%	10,0%	10,5%	11,1%	11,9%	11,7%	10,0%	11,6%	12,4%	12,2%
Median	***14,9%***	***14,2%***	***11,4%***	***11,5%***	***11,9%***	***14,6%***	***15,5%***	***16,9%***	***13,6%***	***12,9%***
Average	***13,8%***	***14,7%***	***16,1%***	***16,0%***	***13,7%***	***18,3%***	***16,4%***	***19,4%***	***17,9%***	***16,8%***

Source: author's analysis based on Tikr data.

This is where one of the clearest differences appears. McDonald's reached a 46.1% operating margin and a 31.9% net margin in 2025, far above all the peers. The combination of royalties and rent, together with a small base of company-owned restaurants, turns an extraordinary share of revenue into profit.

- **Fixed assets**

Net Property Plant And Equipment	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
MCDONALD'S CORPORATION	68,5%	66,4%	69,6%	78,8%	73,7%	71,1%	72,1%	68,4%	70,0%	72,0%
YUM! BRANDS, INC.	38,7%	30,0%	30,0%	34,6%	35,6%	33,8%	32,7%	31,5%	32,5%	34,4%
CHIPOTLE MEXICAN GRILL, INC.	64,3%	65,4%	60,9%	77,7%	72,7%	73,5%	75,8%	71,5%	69,4%	79,4%
RESTAURANT BRANDS INTERNATIONAL INC.	10,7%	10,0%	9,9%	14,2%	14,0%	13,6%	13,3%	13,1%	16,6%	16,6%
DOMINO'S PIZZA, INC.	19,3%	20,3%	25,9%	34,1%	33,5%	32,0%	32,5%	30,6%	29,4%	31,7%
Median	***38,7%***	***30,0%***	***30,0%***	***34,6%***	***35,6%***	***33,8%***	***32,7%***	***31,5%***	***32,5%***	***34,4%***
Average	***40,3%***	***38,4%***	***39,3%***	***47,9%***	***45,9%***	***44,8%***	***45,3%***	***43,0%***	***43,6%***	***46,8%***

Source: author's analysis based on Tikr data.

Net fixed assets represent about 72% of McDonald's assets, far above Yum!, RBI and Domino's, and only below Chipotle. But the reason is different: Chipotle has a large base of company-operated restaurants, while McDonald's concentrates a huge part of its balance sheet in land and buildings that support its franchise system. This also explains why its fixed asset turnover (0.63x in 2025) looks low compared with less asset-heavy peers. At McDonald's, that low turnover buys control over locations and an additional stream of rent.

- **Leverage**

Debt to EBITDA [Total debt / EBITDA]	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
MCDONALD'S CORPORATION	2,8x	3,0x	3,1x	4,5x	5,6x	4,1x	4,0x	3,9x	3,7x	3,8x
YUM! BRANDS, INC.	4,8x	4,9x	5,3x	5,6x	6,4x	5,2x	5,5x	4,7x	4,5x	4,5x
CHIPOTLE MEXICAN GRILL, INC.	-	-	-	4,1x	5,6x	3,3x	2,5x	2,1x	2,0x	2,1x
RESTAURANT BRANDS INTERNATIONAL INC.	4,8x	5,9x	5,7x	6,1x	8,1x	7,0x	6,5x	6,2x	6,2x	5,6x
DOMINO'S PIZZA, INC.	4,5x	5,7x	5,8x	6,5x	5,7x	6,4x	6,6x	6,0x	5,6x	5,0x
Median	***4,5x***	***4,9x***	***5,3x***	***5,6x***	***5,7x***	***5,2x***	***5,5x***	***4,7x***	***4,5x***	***4,5x***
Average	***3,4x***	***3,9x***	***4,0x***	***5,4x***	***6,3x***	***5,2x***	***5,0x***	***4,6x***	***4,4x***	***4,2x***

Source: author's analysis based on Tikr data.

McDonald's ended 2025 at 3.8x debt/EBITDA. It is not a conservative structure, but it is below Yum!, RBI and Domino's. Interest coverage of 7.8x is also well above those three peers. Chipotle has a different capital structure and is practically useless as a debt benchmark.

- **Cash generation**

Cash flow to Revenue [CFO / Net revenue]	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
MCDONALD'S CORPORATION	24,6%	24,3%	32,8%	38,0%	32,6%	39,4%	31,9%	37,7%	36,4%	39,2%
YUM! BRANDS, INC.	19,6%	17,5%	20,7%	23,5%	23,1%	25,9%	20,9%	22,7%	22,4%	24,5%
CHIPOTLE MEXICAN GRILL, INC.	9,1%	10,5%	12,8%	12,9%	11,1%	17,0%	15,3%	18,1%	18,6%	17,7%
RESTAURANT BRANDS INTERNATIONAL INC.	30,1%	30,4%	21,7%	26,3%	18,5%	30,1%	22,9%	18,8%	17,9%	16,6%
DOMINO'S PIZZA, INC.	11,8%	12,2%	11,5%	13,7%	14,4%	15,0%	10,5%	13,2%	13,3%	16,0%
Median	***19,6%***	***17,5%***	***20,7%***	***23,5%***	***18,5%***	***25,9%***	***20,9%***	***18,8%***	***18,6%***	***17,7%***
Average	***19,1%***	***19,0%***	***19,9%***	***22,9%***	***19,9%***	***25,5%***	***20,3%***	***22,1%***	***21,7%***	***22,8%***

Source: author's analysis based on Tikr data.

Operating cash flow represents 39.2% of McDonald's revenue, versus 24.5% at Yum! and around 16-18% at the other peers. This metric summarizes very well the quality of franchise revenue and the low need for working capital.

- **ROIC**

ROIC	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
MCDONALD'S CORPORATION	32,9%	31,9%	34,7%	22,8%	17,1%	22,7%	24,2%	24,2%	24,6%	23,4%
YUM! BRANDS, INC.	45,3%	50,3%	81,3%	58,1%	43,4%	56,3%	56,4%	57,0%	55,0%	46,1%
CHIPOTLE MEXICAN GRILL, INC.	4,2%	20,8%	24,4%	10,6%	6,2%	14,2%	19,4%	22,4%	23,9%	25,6%
RESTAURANT BRANDS INTERNATIONAL INC.	10,7%	11,3%	12,3%	11,4%	8,7%	10,3%	10,8%	11,1%	11,2%	12,0%
DOMINO'S PIZZA, INC.	149,0%	124,7%	116,4%	67,5%	68,7%	72,1%	70,2%	72,0%	71,2%	83,2%
Median	***32,9%***	***31,9%***	***34,7%***	***22,8%***	***17,1%***	***22,7%***	***24,2%***	***24,2%***	***24,6%***	***25,6%***
Average	***48,4%***	***47,8%***	***53,8%***	***34,1%***	***28,8%***	***35,1%***	***36,2%***	***37,4%***	***37,2%***	***38,1%***

Source: author's analysis based on Tikr data.

In the comparison table ROIC is calculated as pre-tax EBIT over average debt and equity, the same for every company; that is why it is higher than the 19.8% in the ratios section, which uses after-tax operating profit and includes leases in invested capital. It is not the highest value in the group, but the extremes need to be read carefully. Domino's and Yum! operate with negative equity and very asset-light structures, which can inflate the ratio. At McDonald's the return is especially relevant because it is achieved while carrying a huge real estate base.

The comparison shows something quite unusual: McDonald's combines features that rarely appear together. It has the stability and margins of a franchisor, but a balance sheet loaded with real estate. It grows more slowly than several peers, but converts much more revenue into cash and keeps high returns despite that asset intensity. That mix explains much of its moat and also why it tends to trade at a premium to more conventional restaurant businesses.

Porter's Five Forces

- **Competitive rivalry: high.** Supply is huge and consumers can easily switch between chains and independent restaurants. Promotional intensity rises when consumers are under pressure, as seen in 2026 in the United States.
- **Threat of new entrants: low at global scale, high locally.** Opening a restaurant is easy. Replicating McDonald's is not. Brand, supply chain, locations, marketing, technology and franchisees form a huge barrier when the goal is to compete globally.
- **Supplier power: low to moderate.** McDonald's scale gives it great purchasing power, although certain commodities can suffer global shocks that not even the company can avoid.
- **Customer power: high individually, low in negotiation.** A consumer does not negotiate the price, but has dozens of alternatives and can stop visiting immediately. That is why perceived value matters so much.
- **Threat of substitutes: high.** The competition is not just another burger chain. Supermarkets, prepared food, delivery, coffee shops, fast casual and independent restaurants compete for the same meal and the same budget.

SWOT



Source: author's analysis.

SECTION 06

The bulls vs. the bears

What do the bulls say?

The first argument is the **quality of the model**: operating margins close to 47-50%, operating cash flow of 39% of sales and a 20% ROIC on a huge real estate base. It is one of the most predictable businesses in the market.

The second is **unit growth**: going from 45,000 to 50,000 restaurants by 2028, plus the potential in chicken, beverages and the loyalty program, allows earnings per share to grow at a high single-digit pace even if comparable sales are modest.

The third is **defensiveness**: it competes on value and convenience, and when consumers are under pressure it can gain share from more expensive restaurants.

What do the bears say?

The first argument is **traffic in the United States**: negative comparable sales in the third quarter of 2026 (-0.2%) and an increasingly pressured lower-income consumer. Winning it back requires promotions that squeeze franchisee profitability.

The second is the **balance sheet**: net debt of 3.7x EBITDA, negative equity and shareholder distributions that in several years exceeded free cash flow. There is less room for maneuver than in the past.

The third is **valuation**: at multiples close to 19x EBITDA and 25x earnings, the price already reflects much of the quality of the business.

SECTION 07

Valuation

I built a ten-year **discounted cash flow (DCF)** model with two methods for the terminal value: **perpetuity growth** and an **exit multiple on EBITDA**. The idea is not to find an exact number, but to check what expectations the current price requires and what range of value appears under reasonable assumptions.

Model inputs and assumptions

2. Operating drivers by scenario (explicit forecast)

Driver	Δ vs Base	FY2023A	FY2024A	FY2025A	3Y avg	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E	FY2032E	FY2033E	FY2034E	FY2035E
Forecast year #						*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
Revenue growth ▸ selected scenario		10.0%	1.7%	3.7%	**5.1%**	**5.0%**	**5.5%**	**5.0%**	**4.5%**	**4.0%**	**4.0%**	**3.5%**	**3.5%**	**3.0%**	**3.0%**
Best case	1.0%					6.0%	6.5%	6.0%	5.5%	5.0%	5.0%	4.5%	4.5%	4.0%	4.0%
Base case						5.0%	5.5%	5.0%	4.5%	4.0%	4.0%	3.5%	3.5%	3.0%	3.0%
Worst case	(1.5%)					3.5%	4.0%	3.5%	3.0%	2.5%	2.5%	2.0%	2.0%	1.5%	1.5%
Gross margin ▸ selected scenario		57.1%	56.8%	57.4%	**57.1%**	**57.5%**	**57.8%**	**58.0%**	**58.0%**	**58.2%**	**58.2%**	**58.2%**	**58.2%**	**58.2%**	**58.2%**
Best case	0.5%					58.0%	58.3%	58.5%	58.5%	58.7%	58.7%	58.7%	58.7%	58.7%	58.7%
Base case						57.5%	57.8%	58.0%	58.0%	58.2%	58.2%	58.2%	58.2%	58.2%	58.2%
Worst case	(1.0%)					56.5%	56.8%	57.0%	57.0%	57.2%	57.2%	57.2%	57.2%	57.2%	57.2%
EBIT margin ▸ selected scenario		46.1%	45.7%	46.1%	**46.0%**	**47.0%**	**47.0%**	**47.2%**	**47.4%**	**47.5%**	**47.5%**	**47.5%**	**47.5%**	**47.5%**	**47.5%**
Best case	1.0%					48.0%	48.0%	48.2%	48.4%	48.5%	48.5%	48.5%	48.5%	48.5%	48.5%
Base case						47.0%	47.0%	47.2%	47.4%	47.5%	47.5%	47.5%	47.5%	47.5%	47.5%
Worst case	(2.0%)					45.0%	45.0%	45.2%	45.4%	45.5%	45.5%	45.5%	45.5%	45.5%	45.5%
Capex % of revenue ▸ selected scenario		9.2%	10.7%	12.5%	**10.8%**	**13.5%**	**13.5%**	**13.0%**	**12.5%**	**12.0%**	**11.5%**	**11.0%**	**10.5%**	**10.0%**	**10.0%**
Best case	(0.5%)					13.0%	13.0%	12.5%	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.5%
Base case						13.5%	13.5%	13.0%	12.5%	12.0%	11.5%	11.0%	10.5%	10.0%	10.0%
Worst case	1.0%					14.5%	14.5%	14.0%	13.5%	13.0%	12.5%	12.0%	11.5%	11.0%	11.0%

Source: author's analysis.

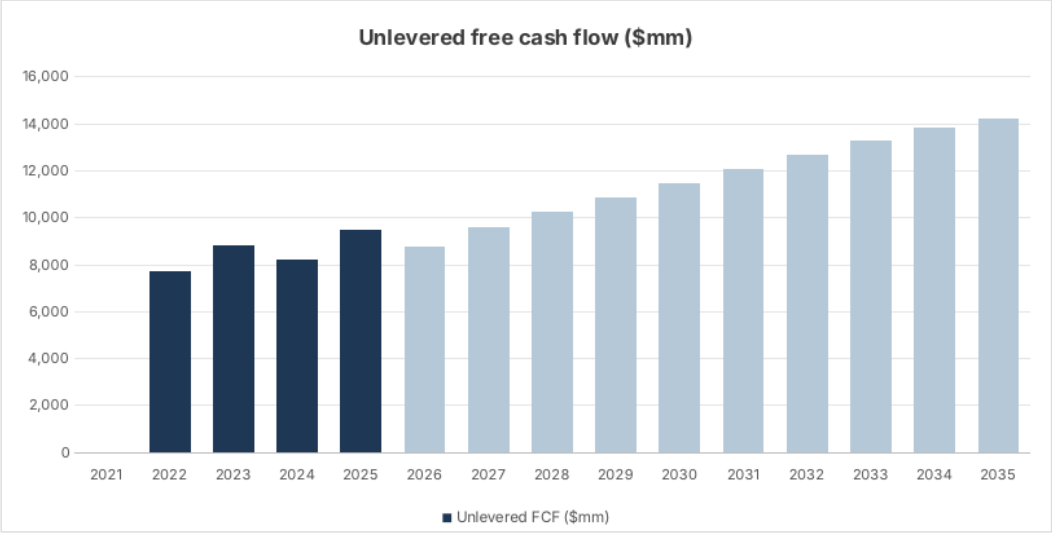
Revenue growth: in the base case I project 5% in 2026, in line with the first nine months, and 5.5% in 2027 thanks to the contribution of new units. From there growth gradually slows to 3% by the end of the period.

Margins: I am not projecting an extraordinary expansion. Gross margin goes from 57.5% to 58.2% and EBIT margin from 47% to 47.5%. The expansion is gradual and depends on the franchise mix, scale and productivity. It does not require the company to reach margins radically different from those it has already shown.

CapEx: it starts at 13.5% of sales in 2026 (about USD 3.8 billion, in the middle of the official USD 3.7-3.9 billion guidance) and gradually falls to 10% by the end of the period, as the phase of accelerated openings ends.

What does each scenario mean?

- **Base Case:** McDonald's keeps opening restaurants according to plan, the United States recovers gradually and margins stay close to current levels.
- **Best Case:** value promotions and the NEXT strategy bring back traffic in the United States and the new categories gain weight. It adds 1 point of growth and 1 point of EBIT margin.
- **Worst Case:** US traffic stays weak, pressure on franchisees slows openings and promotional competition intensifies. It subtracts 1.5 points of growth and 2 points of EBIT margin, with somewhat higher CapEx.



Source: author's analysis.

Discount rate (WACC)

5. Discount rate (WACC)

		Value
Risk-free rate		4.9%
Equity beta (levered)	x	0.75
Equity risk premium		4.2%
Country risk premium		-
Cost of equity		8.1%
Pre-tax cost of debt		4.5%
Tax rate (debt tax shield)		20.5%
After-tax cost of debt		3.6%
Market value of equity	$ mm	197,472
Total debt	$ mm	54,830
Debt / (Debt + Equity)		21.7%
Equity / (Debt + Equity)		78.3%
WACC		7.1%

Source: author's analysis.

I use a 4.9% risk-free rate, a 4.2% equity risk premium and a beta of 0.75. The five-year historical beta is even lower (0.38), but that does not seem reasonable for a company with this level of leverage, so I use a more prudent value. The result is a **cost of equity of 8.05%**. For debt I use a 4.5% pre-tax cost. With a capital structure of 78% equity and 22% debt at market values, the **resulting WACC is 7.1%**. It looks low at first glance, but it is consistent with McDonald's defensive profile and its ability to borrow efficiently.

To go from Enterprise Value to Equity Value I subtracted net debt (including leases) of USD 51.2 billion. The share count is 710 million.

Model results

PERPETUITY METHOD

With 2.5% perpetual growth and a 20% return on new invested capital, the model gives an Enterprise Value of USD 237.5 billion and an Equity Value of USD 186.3 billion, equivalent to **USD 262.39 per share**.

McDonald's Corporation

MCD · Discounted Cash Flow · Perpetuity Growth Method

Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case

INTRINSIC VALUE PER SHARE

$262.39

Current share price	$278.13
Upside / (downside)	(5.7%)

VALUATION SUMMARY

Enterprise value	237,534
Equity value	186,298
PV of forecast cash flows	79,506
PV of terminal value	158,028
Terminal value % of EV	66.5%
Implied exit EV / EBITDA	13.4x

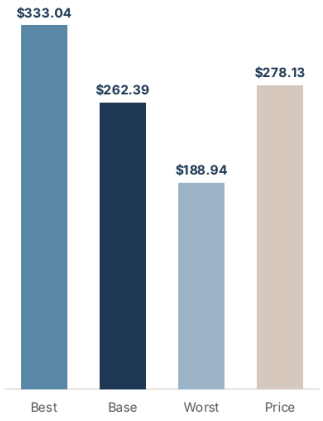
KEY ASSUMPTIONS

WACC (year 1)	7.1%
Terminal WACC	7.1%
Terminal growth (g)	2.5%
RONIC (terminal)	20.0%
Net debt & other claims	51,236
Diluted shares (mm)	710.0

SCENARIOS

Scenario	Terminal growth	Enterprise value	Equity value	Value per share	Upside
Best case	3.0%	287,697	236,461	**$333.04**	+19.7%
Base case	2.5%	237,534	186,298	**$262.39**	(5.7%)
Worst case	2.0%	185,386	134,150	**$188.94**	(32.1%)
Current share price				*$278.13*	

VALUE PER SHARE VS. CURRENT PRICE



SENSITIVITY · VALUE PER SHARE

Terminal growth rate (g)

WACC / g	1.5%	2.0%	2.5%	3.0%	3.5%
6.1%	$301.02	$324.67	$354.94	$395.04	$450.70
6.6%	$263.59	$281.13	$302.98	$330.93	$367.97
7.1%	$232.93	$246.21	**$262.39**	$282.54	$308.32
7.6%	$207.36	$217.58	$229.81	$244.72	$263.28
8.1%	$185.71	$193.68	$203.09	$214.34	$228.05

Source: author's analysis.

In the Best Case the value is **USD 333.04** and in the Worst Case **USD 188.94**.

As in any low-risk business, sensitivity to WACC is high: half a point lower and the value rises to USD 303; half a point higher and it falls to USD 230.

EBITDA MULTIPLE METHOD

Applying a **14x** multiple to EBITDA in the last projected year of the Base Case (16x in the Best Case and 12x in the Worst Case), the model gives an Enterprise Value of USD 245.0 billion and a value of **USD 272.94 per share**.

McDonald's Corporation

MCD · Discounted Cash Flow · Exit Multiple Method

Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case

AZ STOCKS Acciones de la A a la Z

INTRINSIC VALUE PER SHARE

$272.94

Current share price	$278.13
Upside / (downside)	(1.9%)

VALUATION SUMMARY

Enterprise value	245,023
Equity value	193,787
PV of forecast cash flows	79,506
PV of terminal value	165,517
Terminal value % of EV	67.6%
Implied perpetual growth	2.4%

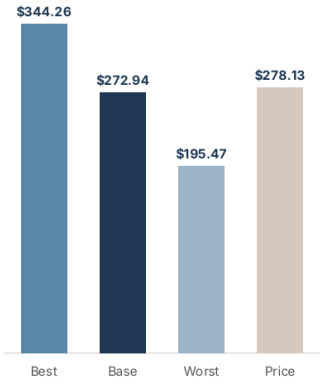
KEY ASSUMPTIONS

WACC (year 1)	7.1%
Terminal WACC	7.1%
Exit EV / EBITDA	14.0x
EBITDA, final forecast year	22,104
Net debt & other claims	51,236
Diluted shares (mm)	710.0

SCENARIOS

Scenario	Exit multiple	Enterprise value	Equity value	Value per share	Upside
Best case	16.0x	295,659	244,423	**$344.26**	+23.8%
Base case	14.0x	245,023	193,787	**$272.94**	(1.9%)
Worst case	12.0x	190,020	138,784	**$195.47**	(29.7%)
Current share price				*$278.13*	

VALUE PER SHARE VS. CURRENT PRICE



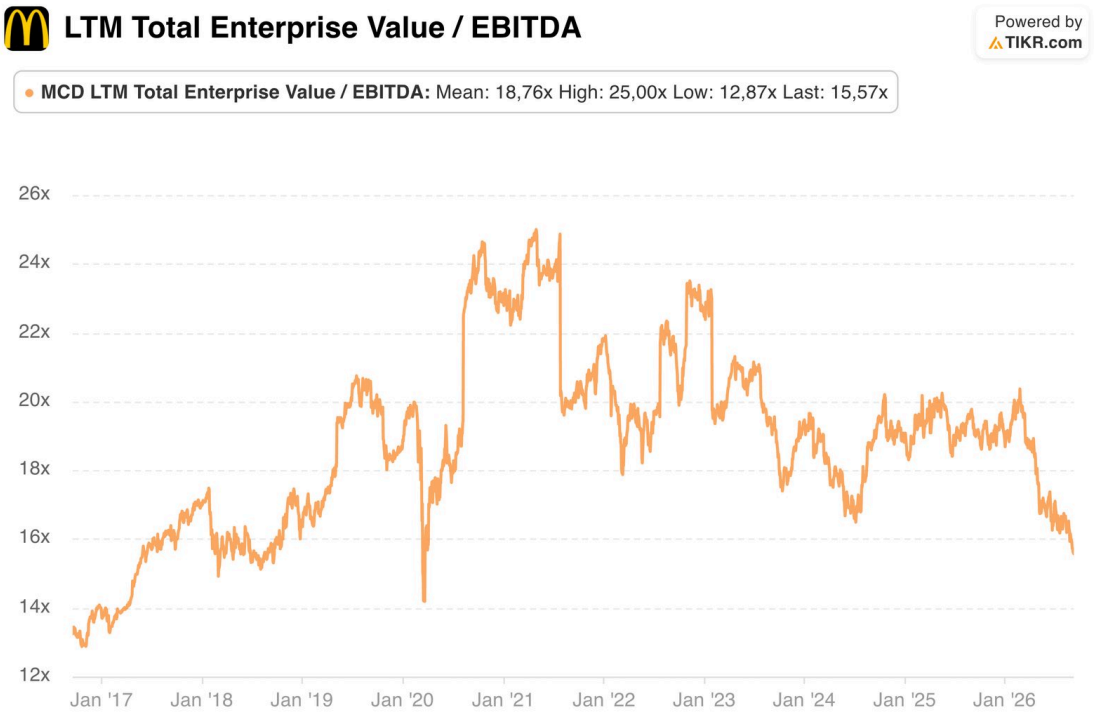
SENSITIVITY · VALUE PER SHARE

Exit EV / EBITDA multiple

WACC / multiple	12.0x	13.0x	14.0x	15.0x	16.0x
6.1%	$262.36	$280.51	$298.65	$316.80	$334.94
6.6%	$250.75	$268.13	$285.51	$302.89	$320.27
7.1%	$239.64	$256.29	**$272.94**	$289.59	$306.24
7.6%	$229.01	$244.96	$260.92	$276.88	$292.83
8.1%	$218.83	$234.13	$249.42	$264.72	$280.01

Source: author's analysis.

I chose the multiples considering the company's and its peers' levels in recent years, but with some contraction, since in the terminal period it will not grow at the same rates. 14x implies 2.4% perpetual growth, in line with the rate I use in the other method.



Source: Tikr.

In the Best Case the value is **USD 344.26** and in the Worst Case **USD 195.47**.

Reading both methods together

Both methods give a very similar result. Averaging them in the base case, I arrive at a **target price of USD 268 per share**, compared with a market price of USD 278.13. That is a downside of about 4%.

SECTION 08

Conclusion

McDonald's is one of those businesses that look simple until you look at how the money is really made.

It is not just a chain that sells burgers. It is a global franchise network that collects royalties and rent from tens of thousands of restaurants, controls a huge share of the real estate in its main markets, owns a brand that is hard to replicate and is building a digital base of almost 220 million active users.

The transformation of the last decade proves it. Reported revenue barely grew, but gross margin went from 41% to 57% and operating margin from 32% to 46%. And the third quarter of 2026 showed it again: with almost flat comparable sales, EPS grew 11%.

Quality, however, does not eliminate the problems. The balance sheet is quite leveraged, liquidity is lower than a few years ago and the United States still needs to win back traffic. McDonald's is also in a phase of high CapEx and accelerated expansion. Opening restaurants only creates value if those restaurants keep high returns.

That, for me, is the central question of the thesis. If McDonald's can go from 45,000 to 50,000 restaurants, keep ROIC clearly above its cost of capital, turn the loyalty program into more frequency and recover in the United States, growth does not need to be spectacular to produce good per-share returns.

My DCF gives a **target price of USD 268 per share**, practically the same as the current price. That is not enough to talk about an opportunity, although it is a more reasonable entry point than when McDonald's traded close to 19x EBITDA and more than 25x earnings.

I like the business, not the margin of safety. Even so, as I mentioned in the Yum! Brands analysis, there is also a more personal issue that makes it hard for me to build full conviction in this type of company. The food, the type of product and the way the restaurant service is conceived make the company incompatible with my personality.

For those interested in McDonald's as an investment, I would wait before adding it to a portfolio. In my view, it is not yet at levels that offer enough margin of safety to start a position.

Alan



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