TRUSIF

McDonald's®

Restaurants (Consumer Discretionary)

Buy | **Market Perform**

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Valuation

Shareprice; yield	$239 & 2.18%
5yr fair value	$320 - $370
Expected HPR	34% - 55%
WACC [a..b]	6% - 7%
TV/EBITDA [a..b]	414.9x - 422.7x
Growth Rate [a..b]	2.3% - 2.75%
Conviction	**Buy**

Market profile ($mlns)

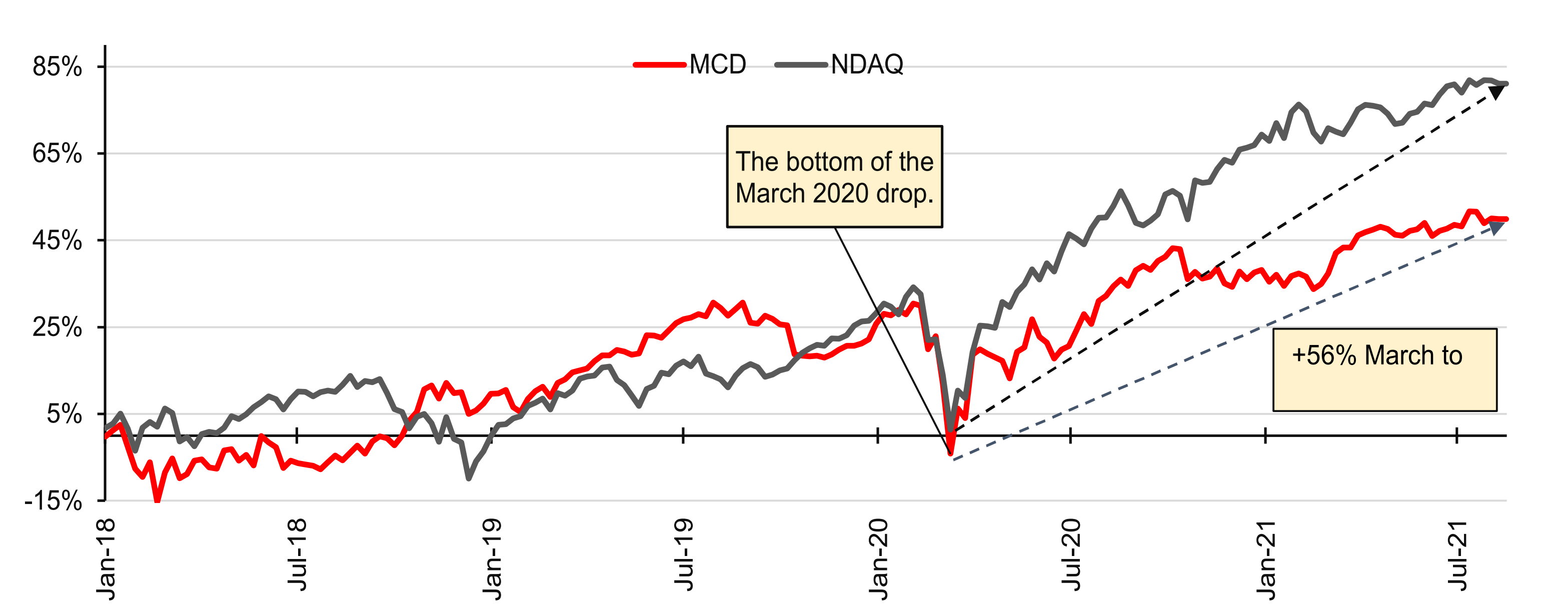
52 week range	$203 - $247.0
Market cap	$178,194
Net debt	$43,841
Enterprise value	$222,035
Beta (5 year)	0.63

Metrics	2022E	2023E	2024E
Sales	$25,396	$26,348	$27,553
EBITDA	$13,099	$13,590	$14,212
FCF	$10,835	$11,074	$11,568
N. Debt	$38,870	$33,881	$28,820
EPS	$11.05	$11.46	$11.99
DPS	$4.42	$4.59	$4.80
ROIC	11%	10%	9%

A summary of our coverage- At TRUSIF, we are suggesting a buy for McDonalds® (NYSE:MCD) coupled with a market perform rating for our 5-year forecast period. MCD's has been a relative leader in the QSR space, however, despite their apparent strength, the competition remains stiff. We like MCD's because they're not just a fast-food restaurant but also a real estate portfolio and rental company, and more specifically have: 1) a tight supply chain; 2) have established themselves as a "household name"; 3) have a presence in over 119 countries which is an advantage for our increasingly connected world; 4) positive outlooks on continuing to improve the Delivery, Drive Thru, and Digital areas of the business; and 5) their success through the pandemic via delivery and contactless pickup.

- MCD is a well established dividend aristrocrat, paying one for over 40 years.
- 2H21, and FY22 continued strength from the release of their Chicken Sandwich platform.
- The recent launch the "My McDonald's Rewards" platform already has yielded more than 12 mln rewards members.
- Reopening of dining rooms, in not only the US, but also across Europe, APAC, Oceana, and ROW.
- MCD's is the 9th most powerful brand in the world, ahead of Disney®.

Exhibit: Trading Activity MCD vs. Nasdaq



Source: TRUSIF Research; Capital IQ

Our Catalysts for McDonalds

The Chicken Sandwich Platform- MCD launched its highly anticipated Crispy Chicken Sandwich on 2/24 in three varieties (crispy, spicy, deluxe), and we believe performance remains strong. The chicken sandwich was a product highly requested by franchisees given the strong performance of chicken and chicken sandwiches in recent years and increasing competition from chicken & traditional burger peers. MCD previously indicated the new item was significantly outselling the prior buttermilk chicken sandwich, which was taken off the menu, with particular strength after 4PM. Based on data from Edison Trends across 16 food delivery services from January 2019 to April 2021, McDonald's captured 27% of the share of money spent on chicken sandwich delivery orders in April 2021, second to only Chick-fil-A with 41% of sales, noting Popeyes had 12% of share and Wendy's had 6%. For comparison, in December 2020, McDonald's had 16% of share of spend, relative to Chick-fil-A at 45%, Popeyes at 17% and Wendy's at 7%. Based on our recent channel checks, we estimate MCD is selling ~150 sandwiches per day per store on average. In-line with commentary from MCD, all restaurants indicated the new sandwich was significantly outperforming the prior Buttermilk Chicken Sandwich. As a result, we estimate the chicken sandwich is contributing ~4% to SSS.

MCD's rewards- The MCD's rewards program, which currently only exists in the US and France, has proved to be wildly successful gaining nearly 22mln total active user (11mln US) organically with no additional advertisement. As a % of US sales, the MCD's app represents ~14% (as of 1Q21), this is expected to continue paralell to their overall digital growth. The company is rolling rewards out to Germany and Canada in 2H21, followed by Australia and the UK in 2022.

Exhibit: US App Users (mlns)

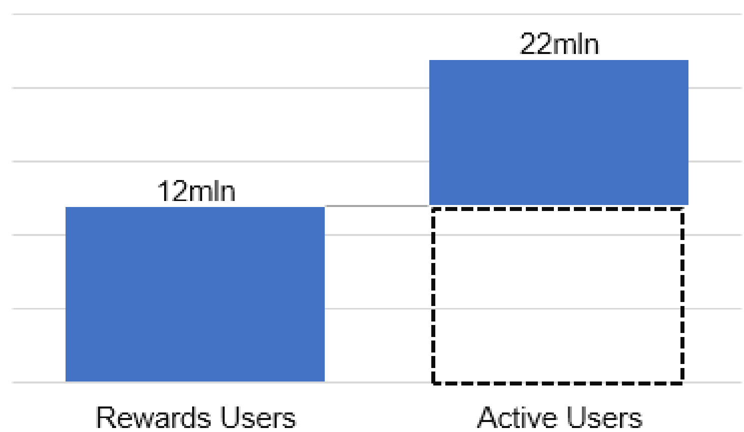
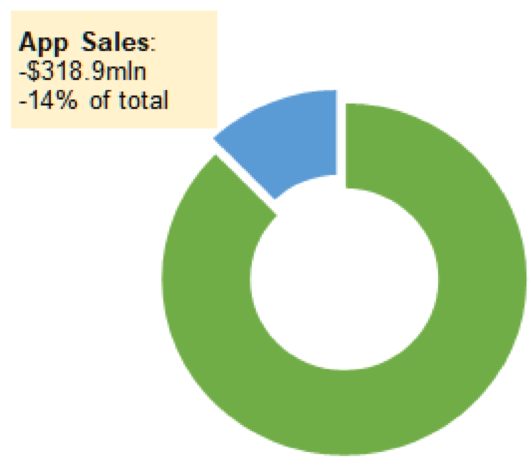


Exhibit: App % of US Sales ($mlns)



Source: TRUSIF Research McDonald's®

Exhibit: McDonald's US Chicken Sandwhich Selling Assumption(s) ($mlns)

Base Case	
MCD AUV	$3,000
Daily Crispy Chicken Sandwiches Sold	150
* Price/Sandwich	$3.99
= Daily Sales	**$598.50**
Prior Buttermilk Sandwiches Sold	50
* Price/Sandwich	$4.99
= Daily Sales	**$249.50**
Annualized Chicken Sandwiches Sold	$215.50
- Lost Prior Chicken Sandwich Sales	$89.80
Incremental Sales	$125.70
% Sales Lift	**4%**
Chicken Sandwich as % of Sales	7%

Source: TRUSIF Research; McDonald's®

Digitization is key to unlocking growth- The company's digital growth engine, called "MyMcDonald's", so far has had a favorable impact on drive thru, takeaway, delivery, curbside pickup and dine-in. Through 2H21, digital sales for the company (comprised of mobile app, delivery, and kiosk) were ~$8bln (+70% y/y) across the company's top 6 markets. The pandemic helped the company truly unlock its digital potential as consumers, who still wanted McDonald's, had a variety of ways to get this craving filled despite most stores remaining closed to the public.

The MyMcDonald's app- has unlocked a whole new stream of McDonald's goers, so far going well and strongly aiding their delivery goals. The app has more than ~40 mln active app users in its biggest six markets, translating to more than ~30,000 restaurants. In 1H21 alone, the app gained about +12 mln additional users, with success attributed to local promotional activities and nationally available deals found within the app. The MyMcDonald's app points the company in an exciting direction and at a convenient time as more and more start ordering via an app while potentially hedging the company from future unknowns around the pandemic.

Exhibit: Total App Users (mlns)

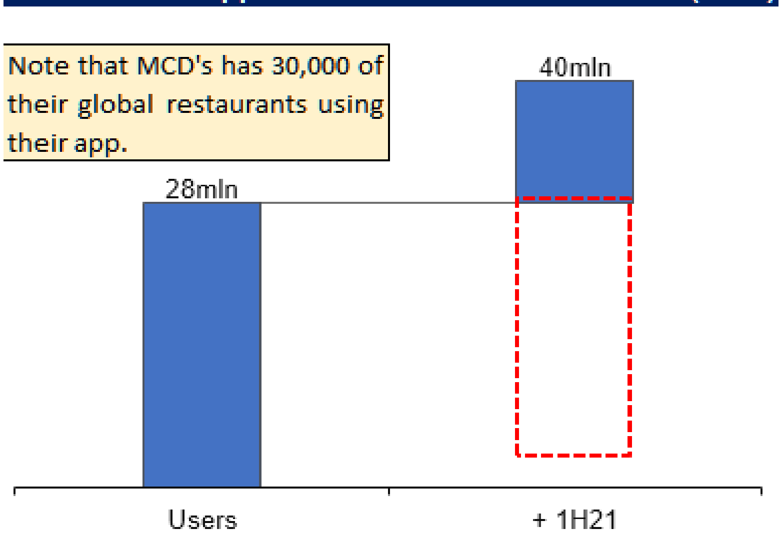
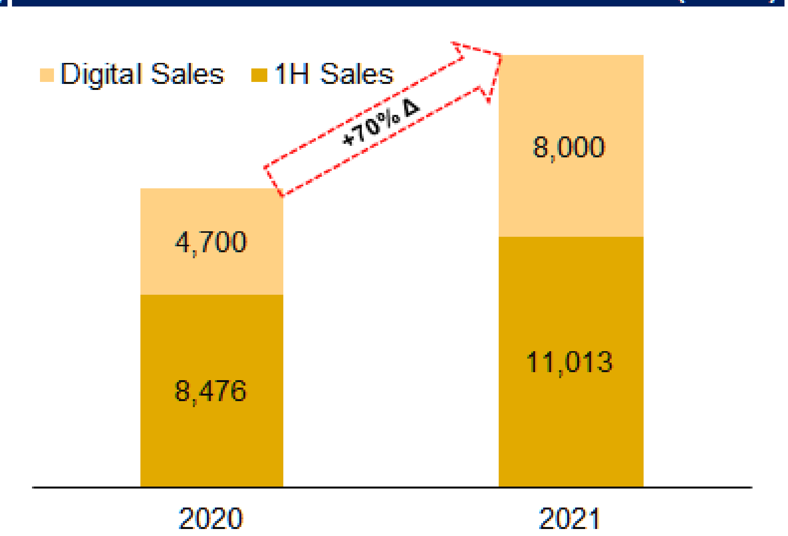
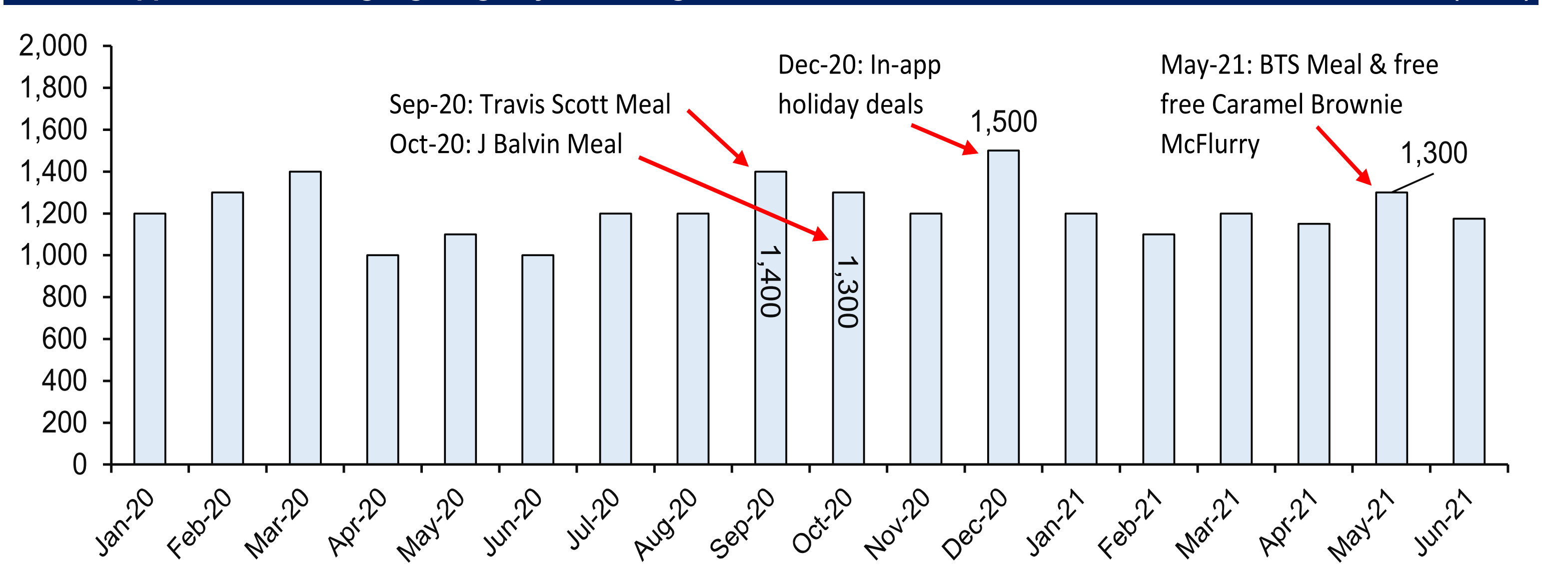


Exhibit: Revenue Climb ($mlns)



Source: McDonald's®, TRUSIF Research

Exhibit: App Downloads Highlighting Key Marketing Events (mlns)



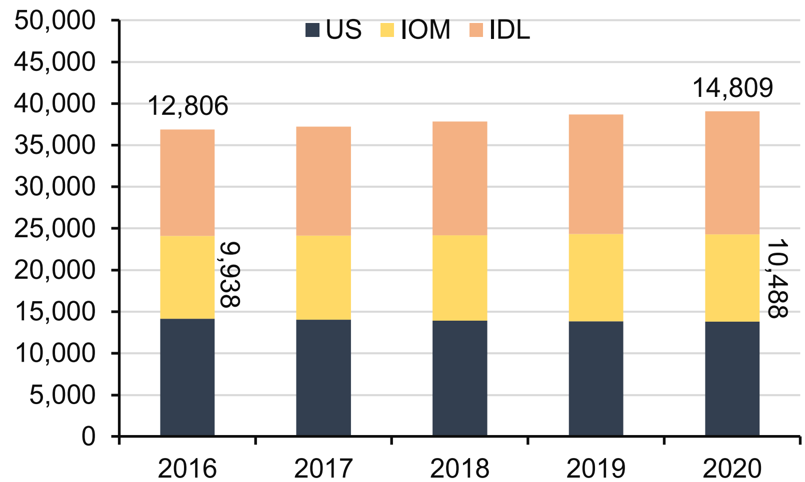
Source: TRUSIF Research, McDonald's®

Industry Overview

A well known brand- McDonald's is the leading name in the fast-food world, founded in 1955 with the vision to provide quick and quality food to consumers. Its global brand operates across 119 countries with ~40,000 restaurants; of those, ~36,000 are franchised. The quick serve industry is highly competitive, yet MCD's remains the most popular brand due to its quality menu and extensive presence globally.

Barriers to entry (HIGH)- The quick-serve-restaurant industry has a high barrier to entry in terms of new franchises competing on a global scale. The reasoning for this rating is that the QSR space makes it much easier to adopt a franchise and ride off an existing brand rather than try to compete. MCD's franchising is interesting because franchisees have a very high degree of autonomy, allowing their owners to have more "ownership pride". To truly compete with MCD's it would take years of R&D, CAPEX requirements, human capital and logistics to even begin, leaving the odds greatly stacked against an up and coming franchise restaurant..

Exhibit: Global McDonalds's Store Growth

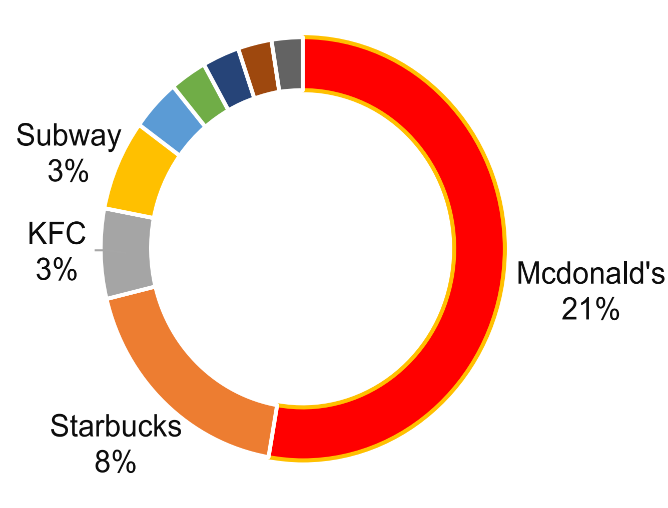


Source: TRUSIF Research; McDonald's®

Threat of substitutes (HIGH)- McDonald's competition is very intense. Quick-serve-restaurants are always trying gain a competitive edge, but ultimately, the consumer has the final say. QSRs are so successful because consumers can access the same menu options in Seattle, Washington as they could in Austin, Texas- food familiarity is key. There is no switching cost to consumers, and consumers can be persuaded easily from something as simple as higher food costs. Consumers are beginning to look for healthier alternatives, especially with the growing trend of younger consumers willing to pay more for higher quality food. This means that companies like MCD's will need to work hard to adapt to consumer trends and still offer the same foods that people love. Finally, all QSRs are subject to risks around food poisoning incidents which (often) happen accidentally, but can tarnish a brand resulting in the likelihood of pushing consumers to substitutes. For example, in 2015, an E. Coli outbreak at Chipotle was quite devastating for their brand and revenues.

Market Share- McDonald's is estimated to have a fast-food market share of 21.4% as of 2020, followed by Starbucks (7.52%), KFC (2.82%), Subway (2.8%), Domino's Pizza (1.57%), Pizza Hut (1.24%), Burger King (1.16%), Tim Hortons (1.09%), and Chipotle (1.02%). MCDs significant market share is a clear indication of its success in the market. As consumers, and investors, we like the company's variety, offering multiple categories of food, and doing it well. For example, Tim Hortons, a coffee shop that offers food, is tougher to execute than a food company, offering coffee, like McDonald's.

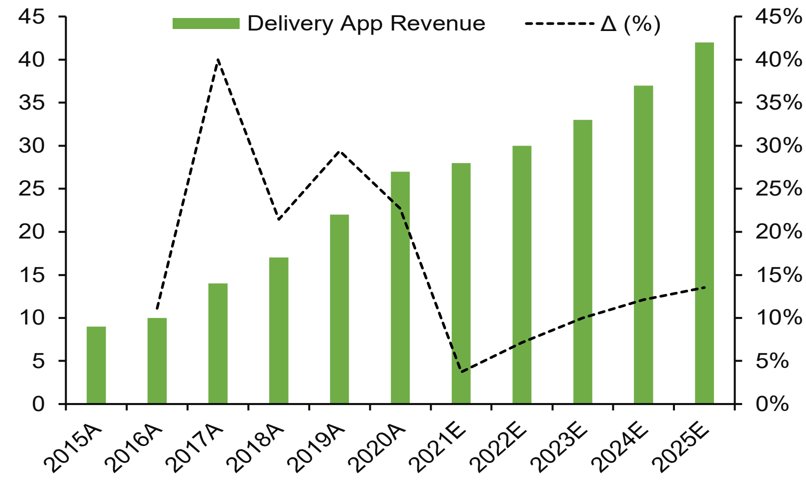
Exhibit: McDonald's QSR Market Share



Source: TRUSIF Research; Industry Dive

It's increasingly important to be mobile- Mobile ordering in the US is already a $26.5 bln industry, up from $8.7 bln in 2015. MCD's is not alone in its efforts to digitalize its operations. MCD's is increasingly investing more in technologies for service and food delivery to serve its customers better. Investments include POS and other in-store convinience platforms/technologies supporting MCD's digital/delivery goals. We would argue that the mobile presence of QSR restaurants is critical. As mentioned previously, the pandemic has proved that consumers do not need to leave their homes to eat their favourite food.

Exhibit: Size of Mobile Ordering Industry ($mlns)

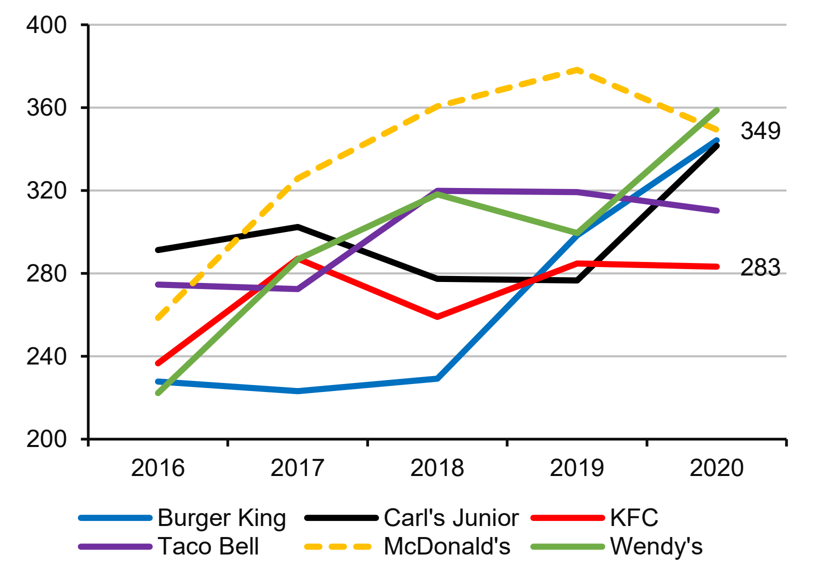


Source: TRUSIF Research; Industry Dive, McDonald's®

With that said, having more than just an app is essential; companies need to lock in consumers. To achieve a **locked in consumer**, company's will need a service that feels unique to whoever is using the app. We are confident in MCD's ability to make their rewards and app program personalized.

Speed is key- MCD's has been tuning itself for the better part of ~66 years to operate in the quickest possible way while delivering consistency and quality to customers globally. MCD's ranks 6th for overall service time and order speed with an average speed of 349 seconds (down ~-4% from FY18). We would like to point out that this is a high-quality problem as it means they are busy, potentially receiving larger orders and doesn't account for the fact that there are more MCD's than any of the comps (aside from Subway). Despite the competition, we see MCD's technology (digital kiosks and apps) coupled with the large availability of drive (25,000 global locations (13,000 in the US)) as its strong edges here.

Exhibit: Total Order Time seconds



Source: TRUSIF Research; Industry Dive, McDonald's®

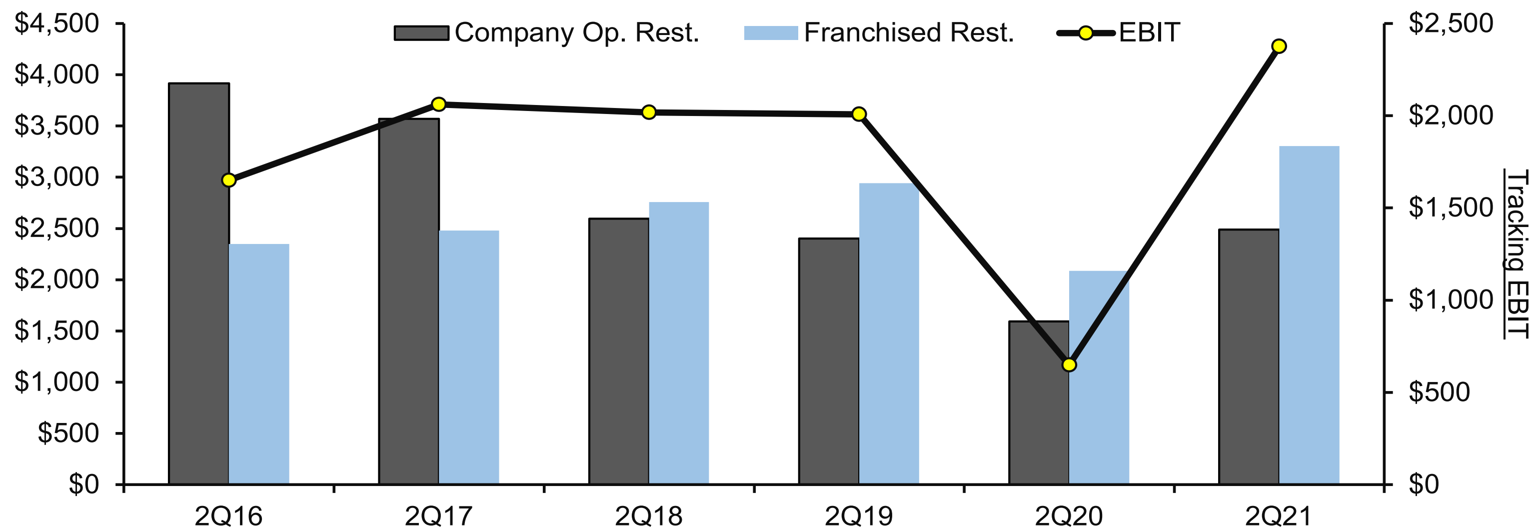
Power of Suppliers (MEDIUM)- McDonald's reduces supplier risk by offering individual pricing models for each supplier, encouraging open competition. In addition, MCD's can provide bulk orders to suppliers, which further keeps supplier power low because it may be detrimental to their own business if they lose business from MCD's. To further lower supplier risk and supply chain breakdowns they 1) engage in with local suppliers, relative to the restaurant location; and 2) use multiple suppliers for a single item. Both of these techniques have to mitigate bottleneck exposure. However, even companies with strong supply chain relationships, like MCD's, face challenges. For example, many areas where MCD's gets produce from have been squeezed due to rising input costs, large drought in CDN/US parries, and percisting supply chain bottlenecks. We are confident in MCDs ability to navigate these macro-economic headwinds.

Competition (HIGH)- We beleive MCD's strongest advantage is their franchisee autonomy, allowing the company to pivot to work towards the best interests of the communities(/countries) it serves. Ownership pride is important, and MCD's owners seem to have the most of it. Aside from community support, it also allows MCDs to reach local tastes, and flavours, like India's Dosa Masala Burger (akin to the popularity of the Big Mac) or the Shaka Shaka Chicken in Japan. Going global is one thing but being able to maintain dominance and survive is another, and MCD's has done this well.

Financial Overview

A strong 2Q21 with top & bottom line beats- MCD's produced an adj. EPS of $2.37 (vs. consensus $2.12) & global SSS of +40.5% y/y with gains seen in the US +25.9%, IOM +75.1% & IDLM +32.3%. US 2-yr SSS accelerated by +14.9% (vs. 1Q21's +13.7%), representing the best 2-yr stack in 15+ years. Management expects 2Q's momentum to continue in 3Q21, with 2-yr trends remaining in the double-digit range. IOM 2-yr SSS returned to positive territory at +2.6% (vs. 1Q21's -6.3%), reflecting positive 2-yr SSS in the UK, Australia & Canada, partially offset by negative SSS in France & Germany. MCD's guidance is calling for continued IOM improvement, with expectations for its top five international markets to exhibit positive 2-yr SSS in 3Q21. Operating margins (18.8%) & franchised margins (82.5%) came in strong as the US benefits from sales leverage & high average check, and IOM recovers, and we expect these dynamics to continue to benefit margins going forward. We believe MCD is well positioned to maintain momentum and gain share in the US, while the easing of restrictions across Europe & other international markets should drive strong growth over the coming quarters. Notably, MCD's achieved this growth without operating at full restaurant capacity.

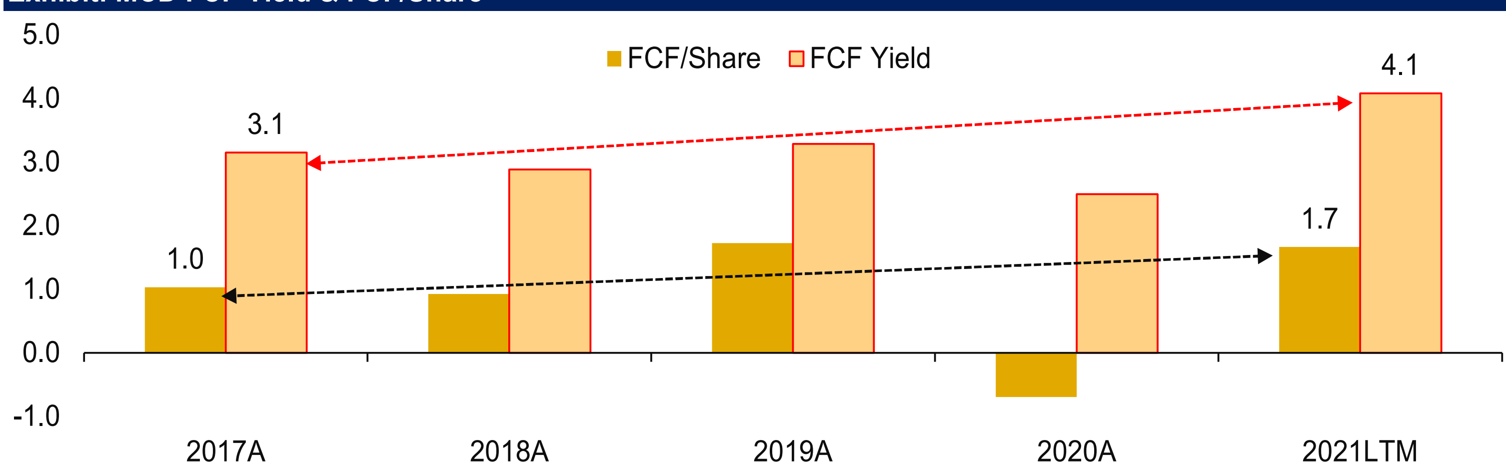
Exhibit: McDonald's Global Sales and EBIT **($mlns)**



Source: TRUSIF Research; McDonald's®

MCD's FCF- MCD's robust operating margins allow the company to generate meaningful amounts of FCF. In terms of their FCF margin, vs. the broader restaurant industry, MCD's has consistently outperformed by ~19% (since 2017). More granularly, MCD's has also outperformed its closer-to-operations competitors in terms of FCF (on average) by about ~12% (during FY20/21). (cont'd)

Exhibit: MCD FCF Yield & FCF/Share



Source: TRUSIF Research, Capital IQ

Considering the nature of the space, strong margins translate to substantial cushioning. The pandemic was a wild card that allowed companies, who had solid free cash, the opportunity to scale up initiatives, such as delivery and mobile ordering. MCD's is evolving fast and has been pouring CAPEX and R&D into strengthening its 3 D's (covered earlier). So far, MCD's growth investments have paid off as seen in their increasing free cash yield from 3.1 to 4.1 (from FY17 to FY21). We believe that MCD will continue to demonstrate growth in its FCF. MGNT expects the company, through 2H21, to maintain or beat a 90% free cash conversion rate.

Exhibit: MCD FCF Margin vs. Industry

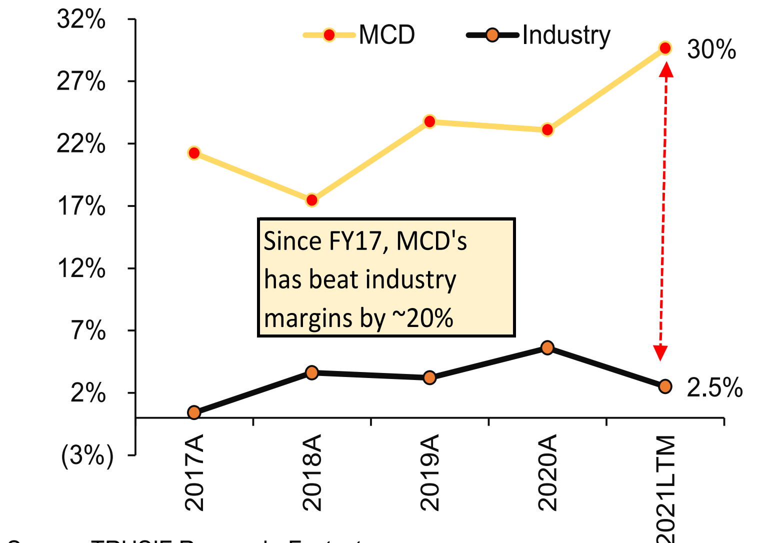
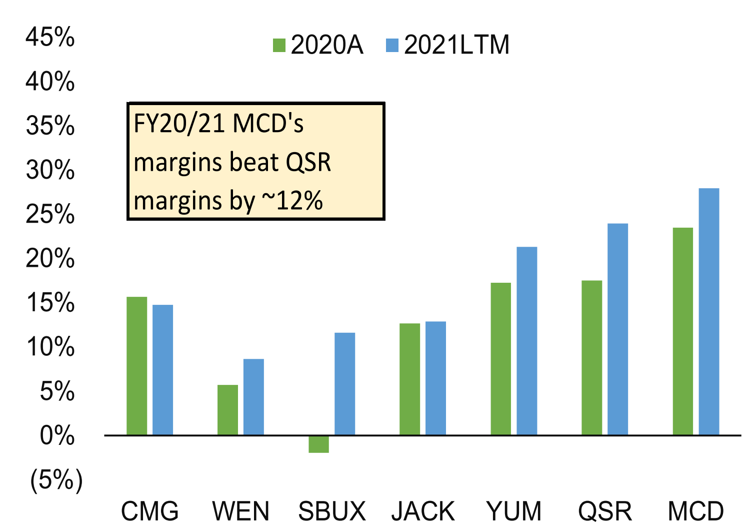


Exhibit: MCD FCF Margin vs. QSR Comps



Source: TRUSIF Research, Factset

McMargin superiority- MCD's has and continues to demonstrate superiority in its general margin profile. MCD's margins have been supported by successful efforts in their continual pursuit of operating efficiency. MCD's, overall, has demonstrated lower gross margins than the broader restaurant industry but has demonstrated GM growth, a trend that the rest of the industry cannot speak of. Since FY17, MCD's gross margin has improved by a whopping ~15% (from ~40% to ~53%), whereas the restaurant space as a whole dropped by -4% since in the same period. Moreover, MCD's adj. EBITDA margin improved by nearly ~17% since FY17 (from 42% to 51%). Much of MCD's margin improvement is on the back of success from modernizing their restaurants and moving with consumer trends for ordering fan favourite food via delivery and app ordering.

Exhibit: MCD vs. Qucik Serve Comps. Gross Margin

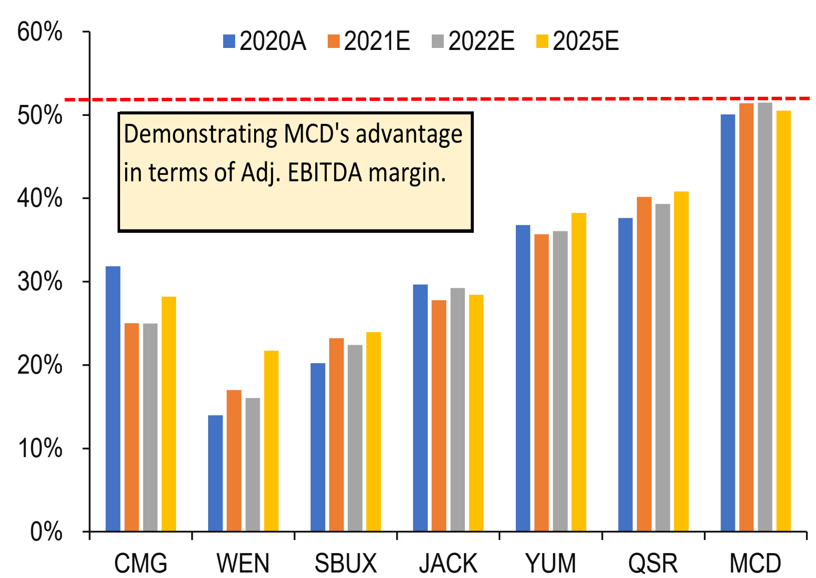
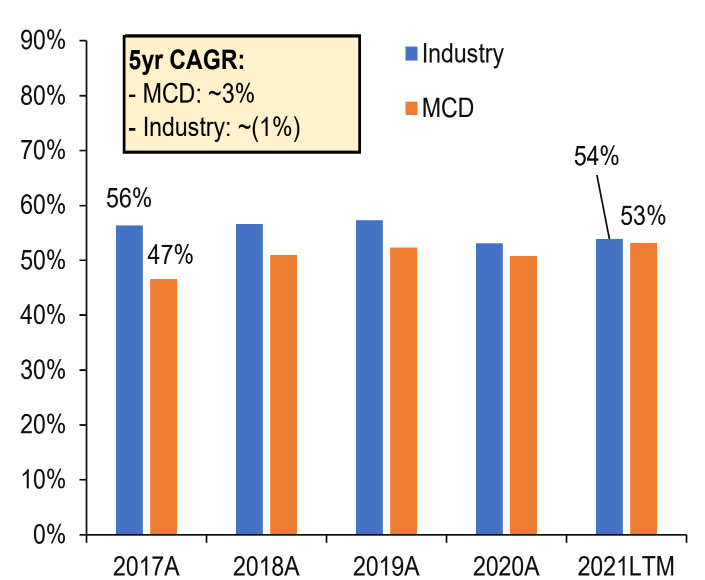


Exhibit: MCD vs. Industry Gross Margin CAGR



Source: TRUSIF Research, Capital IQ

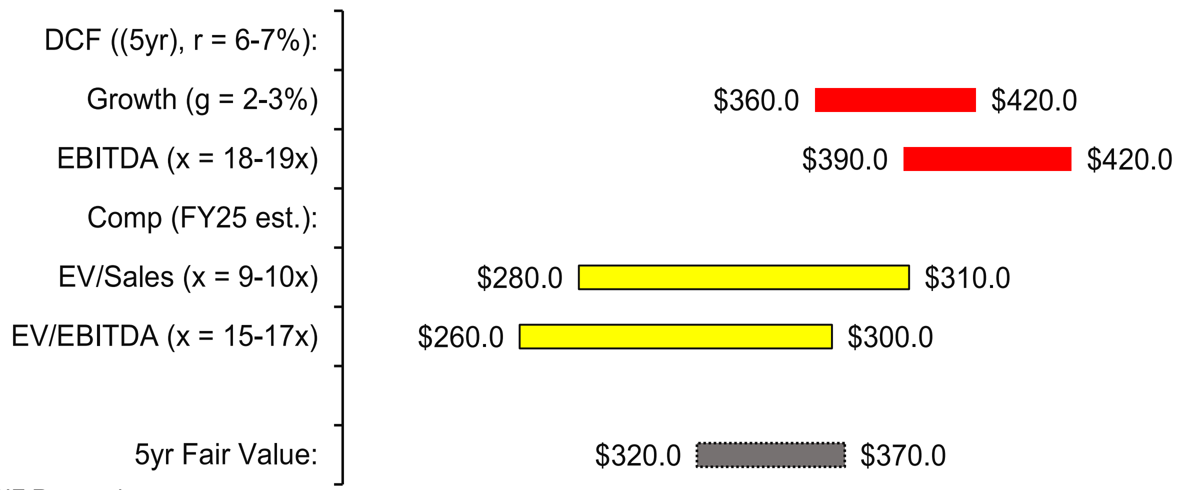
Valuation

McDonald's is showing long-term growth room- MCD's, as it stands, is around its fair value for 2H21. However, we see more growth coming from its 1) expanding its digital presence, which MCD's is dominating for the QSR space; 2) its strong operating margins; 3) steady dividend payments over the past ~40 years; and 5) its domination of QSR restaurant, and overall brand value.

Blue Sky- Our 5-year blue sky target price of ~$390 is based on a blended DCF and precedent transaction multiple approach. The multiple used was a 50/50 weighted ~20x FY25 EBITDA, and a ~4% FCF growth rate.

Grey Sky- Our 5-year grey sky target price of ~$330 was derived from again, a blended DCF and precedent transaction multiple valuation. We backed into our target price using a 18x FY EBITDA and ~3% FCF growth rate.

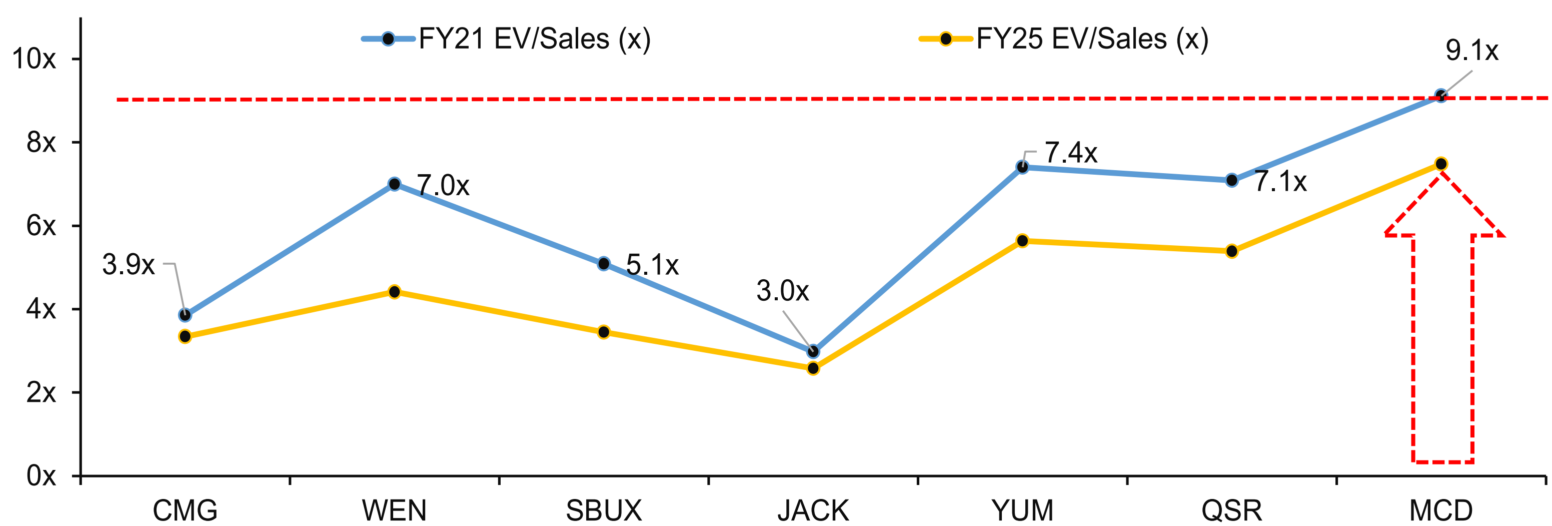
Exhibit: McDonald's 5-Yr Valuation Visual **($)**



Source: TRUSIF Research

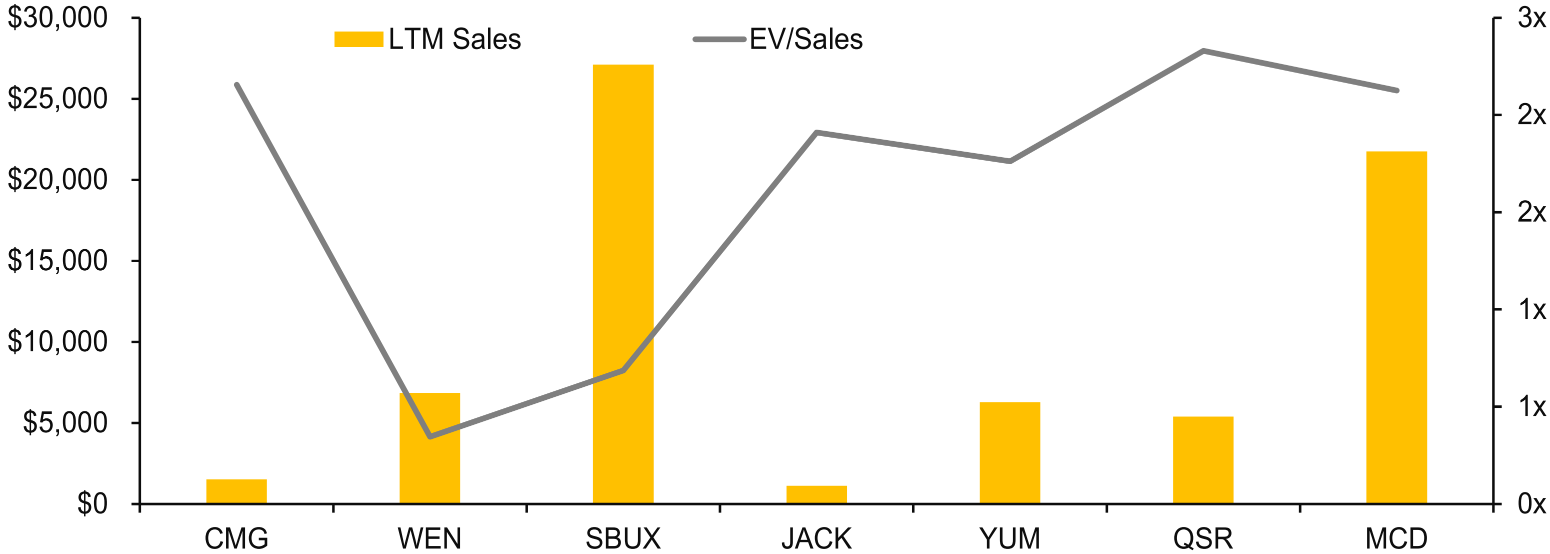
EV/Sales multiple- MCD has had an EV/Sales multiple in the range of 2-4x. However, because MCD's has been executing on favourable initiatives for sales, we expect its multiple to spike slightly, followed by a level off. From this, we believe that MCD's sales multiple to be in the 7-9x range. Our selected multiples translate to a 5-year valuation of $270-$300 per share, representing a ~25% premium to its current share price.

Exhibit: FY2021 and 2025E EV / Sales **(x)**



Source: TRUSIF Research; Capital IQ

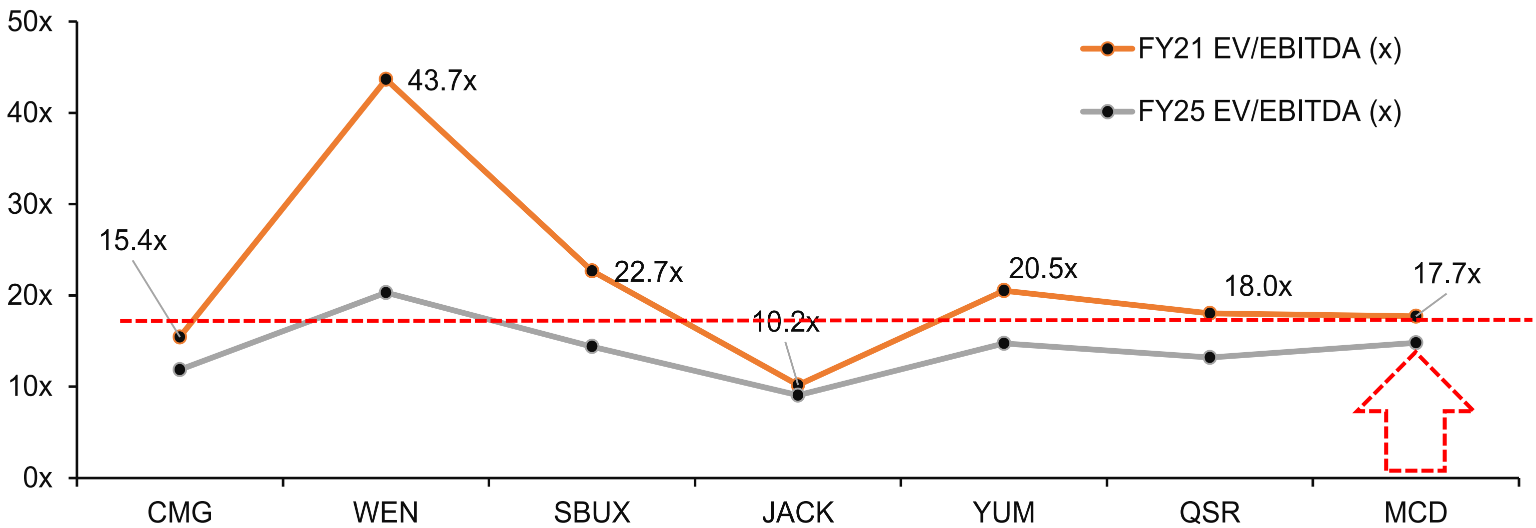
Exhibit: FY2021 LTM Sales and EV / Sales **(x) ($mlns)**



Source: TRUSIF Research; Capital IQ

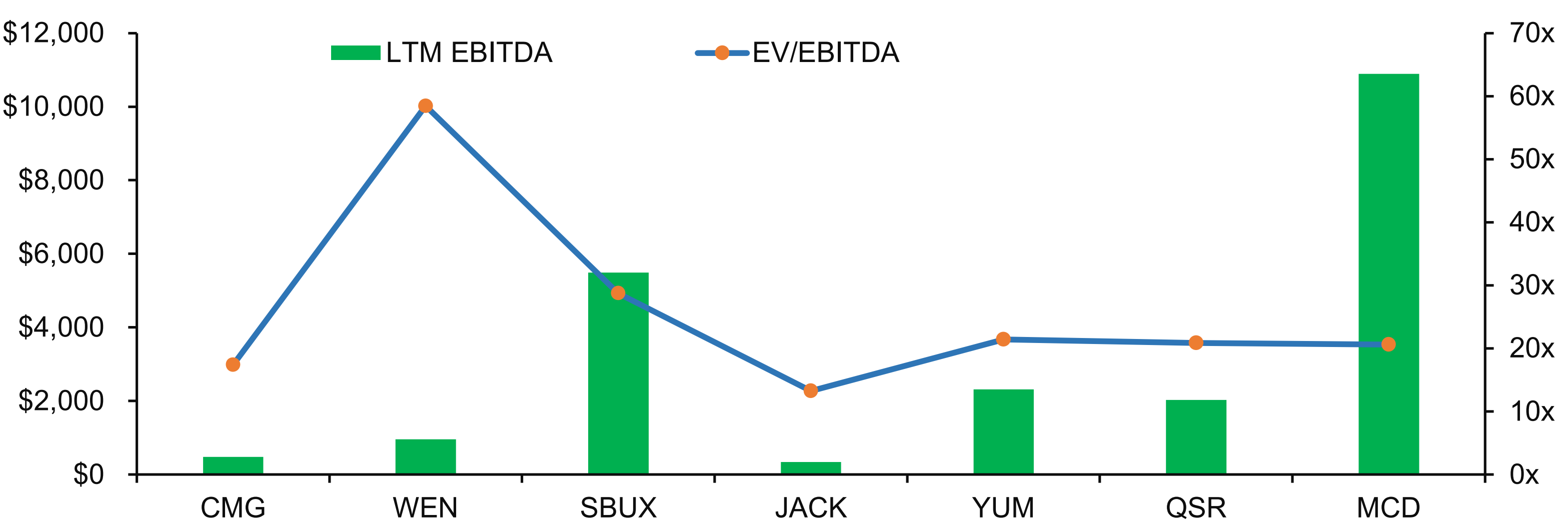
EV/EBITDA multiple- MCD's EV/EBITDA range historically has traded in the 17-20x range. MCD's is not a high-growth company but shows its ability to unlock growth via initiatives mentioned throughout the document. Considering more company growth and continued market dominance, we expect MCD's 5-year EV/EBITDA multiple to exist in the range of 17x-19x, translating to a $325-$360 value per share range, representing a ~40% premium to its current share price.

Exhibit: FY2021 and 2025E EV / EBITDA **(x)**



Source: TRUSIF Research; Capital IQ

Exhibit: FY2021 LTM EBITDA and EV / EBITDA **(x) ($mlns)**



Source: TRUSIF Research; Capital IQ

Long-term growth exit- We exited MCD's with a long-term growth rate range of 2-2.5% along with a WACC range of ~6%-7%, resulting in a 5-year fair value per share of $325-$390 per share.

Exhibit: 5-year Long-Term Growth Exit

		LT Growth Rate						
		1.5%	1.8%	2.0%	2.3%	2.5%	2.8%	3.0%
WACC:	5.5%	$386.93	$404.40	$424.37	$447.41	$474.30	$506.07	$544.19
	5.8%	368.08	383.31	400.57	420.30	443.06	469.61	500.99
	6.0%	351.33	364.70	379.75	396.80	416.28	438.76	464.99
	6.3%	336.34	348.16	361.37	376.23	393.07	412.32	434.53
	6.5%	322.86	333.36	345.04	358.09	372.77	389.41	408.42
	6.8%	310.65	320.05	330.43	341.96	354.85	369.35	385.79
	7.0%	299.56	308.00	317.27	327.53	338.92	351.66	365.98

Source: TRUSIF Research

EBITDA exit- We exited MCD's with a 5-year EBITDA multiple window of 19x-20x coupled with a WACC range of ~6%-7%, resulting in a 5-yr fair value per share of $390-$410 per share.

Exhibit: 5-year EBITDA Exit

		TEV / EBITDA Multiple						
		18.0x	18.3x	18.5x	18.8x	19.0x	19.3x	19.5x
WACC:	5.50%	$403.33	$407.20	$411.07	$414.94	$418.80	$422.67	$426.54
	5.75%	399.51	403.34	407.16	410.98	414.80	418.62	422.44
	6.00%	395.75	399.53	403.30	407.08	410.85	414.62	418.40
	6.25%	392.04	395.77	399.50	403.23	406.96	410.68	414.41
	6.50%	388.39	392.07	395.75	399.44	403.12	406.80	410.48
	6.75%	384.78	388.42	392.06	395.70	399.34	402.97	406.61
	7.00%	381.23	384.82	388.42	392.01	395.60	399.20	402.79

Source: TRUSIF Research

Free Cash Flow ($mlns)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E	FY26E
EBITDA	$9,388	$7,777	$5,730	$13,088	$13,099	$13,590	$14,212	$14,679	$15,248
EBIT	8,797	9,140	7,359	12,239	12,083	12,536	13,110	13,541	14,066
Tax rate	(24%)	(25%)	(23%)	(25%)	(25%)	(25%)	(25%)	(25%)	(25%)
EBIAT (NOPAT)	**6,668**	**6,868**	**5,669**	**9,179**	**9,062**	**9,402**	**9,832**	**10,156**	**10,549**
+ Delta Work. Cap.	(300)	6	391	(221)	173	12	(145)	(8)	(10)
= Unlevered CFO	**6,764**	**7,186**	**6,284**	**10,611**	**10,835**	**11,074**	**11,423**	**11,940**	**12,402**
- CAPEX	(874)	(732)	(463)	(1,706)	(1,778)	(1,844)	(1,929)	(1,992)	(2,069)
= Unlevered FCF	**5,891**	**6,454**	**5,821**	**8,906**	**9,057**	**9,230**	**9,494**	**9,948**	**10,332**
Discount factor				20.0%	120.0%	220.0%	320.0%	420.0%	520.0%
Present Value UFCF				**8,796**	**8,407**	**8,051**	**7,784**	**7,665**	**7,482**

		Range	
Cost of Capital Assumptions		Low	High
Debt to Capitalization	**25%**		
Equity to Capitalization	**75%**		
+ Risk Free	2.3%	2.25%	2.50%
+ Equity Risk Premium	4.7%	4.40%	4.80%
+ Additional Adjs.	0.5%	0.40%	0.90%
* Levered Beta	1.0	1.0	1.24
= Cost of Equity:	7.5%		
Cost of Debt	2.6%		
* (1+ Tax Rate)	25%	22%	25%
= After Tax Cost of Debt:	3.3%		
WACC	6.4%		

Income Statement ($mlns)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E	FY26E
Company operated sales	$10,013	$9,421	$8,139	$9,926	$10,621	$10,982	$11,389	$11,810	$12,247
Franchised & affilitate sales	11,013	11,656	10,726	14,071	14,774	15,365	16,164	16,649	17,315
EBITDA	9,388	7,777	5,730	13,088	13,099	13,590	14,212	14,679	15,248
D&A	379	414	464	1,652	1,600	1,660	1,736	1,793	1,862
EBIT	8,797	9,140	7,359	12,239	12,083	12,536	13,110	13,541	14,066
Int. inc../(exp)	981	1,122	1,218	1,396	1,026	1,064	1,113	1,149	1,194
EBT	7,816	8,018	6,141	10,843	11,058	11,472	11,997	12,392	12,872
Income taxes	1,892	1,993	1,410	2,005	2,764	2,868	2,999	3,098	3,218
NOPAT	6,668	6,868	5,669	9,179	9,062	9,402	9,832	10,156	10,549
Cash Flow ACTUAL ($mlns)									
CFO	1,512	1,889	1,993	4,210	10,066	10,276	10,589	11,078	11,506
CAPEX	874	732	463	1,706	1,778	1,844	1,929	1,992	2,069
FCF to firm	5,864	6,348	5,805	8,906	9,057	9,230	9,639	9,948	10,332
CFI	884	807	363	636	1,778	1,844	1,929	1,992	2,069
Dividends paid	893	935	962	3,535	3,317	3,442	3,599	3,717	3,862
CFF	2,311	1,442	1,936	6,375	6,011	1,903	1,652	2,253	2,080
Cash:Debt	1,709	279	235	8,697	2,278	6,528	7,008	6,833	7,357
Balance Sheet ($mlns)									
Cash/Equiv.	866	899	3,449	13,719	15,997	22,525	29,533	36,365	43,722
A/R	2,442	2,224	2,110	3,027	2,794	2,898	3,031	3,131	3,252
OCA	695	385	633	796	796	796	796	796	796
Total fixed assets	37,194	39,051	41,477	41,901	42,079	42,263	42,456	42,655	42,862
Total assets	32,811	47,511	52,627	64,155	66,388	73,184	80,651	87,783	95,468
Total current liabilities	2,974	3,621	6,181	4,350	4,300	4,396	4,517	4,608	4,719
Shareholder equity	6,258	8,210	7,825	2,759	2,217	7,379	12,778	18,354	24,146
Liabilities & S/E	32,811	47,511	52,627	64,155	66,388	73,184	80,651	87,783	95,468
Net Debt	30,209	46,598	45,771	43,841	38,870	33,881	28,820	23,451	17,876
Per Share									
No. shares (wtd. avg.)	780	760	746	751	751	751	751	751	751
Adj. EPS	$7.6	$7.9	$6.3	$11.8	$11.0	$11.5	$12.0	$12.4	$12.9
Dividend ($)	1	1	1	5	5	5	5	5	5
FCF per share	9	9	8	14	15	15	15	16	17
Earnings									
Sales growth (% Δ)		-6%	-14%	22%	7%	3%	4%	4%	4%
EBIT growth *(% Δ)*	4%	4%	-19%	66%	5%	4%	5%	3%	4%
NOPAT growth *(% Δ)*	3%	3%	-17%	62%	5%	4%	5%	3%	4%
EBITDA margin (%)	45%	36%	30%	54%	52%	52%	52%	52%	52%
EBIT margin (%)	42%	43%	38%	50%	48%	48%	48%	48%	48%
NOPAT margin (%)	32%	32%	30%	38%	36%	36%	36%	36%	36%
EBITDA margin (%)	45%	36%	30%	54%	52%	52%	52%	52%	52%

Management Team

Christopher Kempczinski, Chief Executive Officer (CEO), President & Director- Mr. Kempczinski has been the Chief Executive Officer (CEO), President, and Director of McDonald's Corporation since November 1, 2019. Kempczinski's total compensation is $5.22mln per year. From January 1, 2017, to 2019 he served as President of USA at McDonald's Corporation. He also served as Executive Vice President of Strategy, Business Development & Innovation at McDonald's Corporation from October 26, 2015, to December 2016.

Kevin Ozan, Corporate Executive VP & Chief Financial Officer (CFO)- Mr. Ozan has been the Chief Financial Officer (CFO) and Corporate Executive Vice President of McDonald's Corporation since March 1, 2015. Ozan's total compensation is $4.53mln per year. Before becoming CFO, he served as Senior Vice President and Corporate Controller from February 2008 to February 2015. Also, from May 2007 to January 2008 he served as Principal Accounting Officer.

Catherine Hoovel, Corporate VP & Chief Accounting Officer (CAO)- Ms. Hoovel has been Chief Accounting Officer (CAO) and Corporate Vice President of McDonald's Corporation since October 1, 2016. Previously serving as Controller from April 2014 to September 2016, for the McDonald's restaurants owned and operated by McDonald's USA.

Daniel Henry, Corporate Executive VP & Global Chief Information Officer (CIO)- Mr. Henry has been a Corporate Executive Vice President of McDonald's Corporation since May 1, 2018, and its Global Chief Information Officer (CIO) since October 2017. He was also serving as Corporate Vice President from October 2017 to April 2018. Currently, he is responsible for the global technology portfolio at McDonald's, ranging from restaurants and digital technologies to the infrastructure and technology platforms that support McDonald's business.

Mike Flores Senior VP & Investor Relations Officer- Mr. Flores serves as Senior VP & Investor Relations Officer at McDonald's Corporation. He also serves as Chief Finance Officer and Senior Vice-President of McDonald's Europe Limited. Currently, he is responsible for all strategic financial direction and investment decisions for McDonald's across Europe, including franchising and restaurant development. Prevously, Mr. Flores headed up Worldwide Development for McDonald's Corporation, supporting the development and execution of new restaurant growth plans and the strategic management of the enterprise portfolio.

Investment Risks

Supply chain disruptions: Although many products MCD's offers come from a wide variety of suppliers in countries around the world, certain products have limited suppliers, which may increase reliance on those suppliers. Supply chain interruptions resulting from shortages and transportation issues or unexpected pandemics, increases in demand and price can adversely affect suppliers and MCD. These interruptions may significantly impact franchise performance and could limit the availability of products critical to System's operations.

Labour challenges: MCD's depends on recruiting, motivating, and retaining qualified individuals to staff their restaurants. To maintain appropriately-staffed restaurants in an intensely competitive environment is complex; COVID-19 hasn't made this issue easier or cheaper. As a result, increased costs associated with recruiting, motivating qualified employees, and promoting opportunities at MCD's, could hurt profit margins. MCD's is also impacted by the costs and other effects of compliance with U.S. and international regulations. Regulations are increasingly focused on employment issues, such as wages and hours, healthcare, immigration, retirement and other employee benefits and workplace practices. Claims of non-compliance could result in liability and expense to the company.

COVID-19: The pandemic has negatively affected and is expected to continually influence the company in the future. Epidemics or pandemics can adversely affect consumer spending and confidence levels and supply availability and costs, and the local operations in impacted markets, all of which can affect our financial results condition and outlook. Notably, the global pandemic resulting from COVID-19 has disrupted global health, economic and market conditions, consumer behaviour and McDonald's global restaurant operations beginning in early 2020.

Failure to preserve: The value and relevance of MCD could harm the financial results if not maintained and constantly improved. To be successful in the future, MCD must preserve, enhance and leverage the value of their brand, including corporate purpose, mission and values. Brand value is based in part on consumer perceptions and expectations. Those perceptions are affected by various factors, including the nutritional content and preparation of their food, the ingredients they use, how they source commodities and general business practices. If MCD is not effective in addressing social and environmental responsibility matters or achieving relevant sustainability goals, consumer trust in their brand may suffer.

Unfavourable economic conditions: Results of operations are substantially affected by economic conditions, which can impact consumer disposable income levels and spending habits. Economic conditions can be affected by pandemics and government actions to manage national and international economic matters, whether through stimulus or trade measures and initiatives to control wages. Also, other economic drivers like unemployment, credit availability, inflation have an influence on MCD.

Underperforming investments: MCD's long-term business objectives depend on the successful Systemwide execution of strategies. MCD continues to modernize by investing in technology, digital engagement and delivery, to transform the customer experience. As part of these investments, there is a renewed emphasis on improving service models and strengthening relationships with customers through digital channels, loyalty initiatives, mobile ordering and payment systems, and enhancing drive-thru technologies, which may not generate expected returns.

Global Risk: MCD's encounters many different cultural, regulatory, geopolitical and economic environments within each of the 100 countries they operate in, and their ability to achieve the business objectives depends on the System's success in these environments. MCD's global operating environment makes customer expectations complicated and risky. The company's international success partially depends on its System's ability to leverage operating successes across those 100 markets and specific brand perceptions.

ESG

Climate action: MCD is working to tackle climate change and increase the resiliency of the global food system in partnership with their Franchisees and suppliers. The company expects to prevent approximately 150 million metric tons of greenhouse gas (GHG) emissions in CO2 (and CO2e) a year by planting 3.8 billion trees. MCD's approach to addressing climate change focuses on making our supply chains, restaurants and offices more efficient and sustainable to drive down global emissions and progress to achieve Science-Based Targets, initiative (SBTi)-approved climate target. MCD is working to achieve this target through supply chain partnerships for key ingredients, especially proteins, and setting expectations for all MCD's suppliers to establish their own climate targets. Additionally, MCD's is working with Franchisees across restaurants to invest in areas such as renewable energy sourcing, LED lighting and energy-efficient kitchen equipment. Furthermore, MCD has achieved an 8.5% reduction in the absolute emissions of restaurants and offices, helping toward their 2030 goal of a 36% reduction from a 2015 baseline. They are also achieving nearly a 6% reduction in supply chain emissions intensity toward their 2030 goal of a 31% reduction from a 2015 baseline.

Packaging and waste: MCD uses its global scale and reaches to implement and accelerate solutions to keep waste out of nature and use recyclable materials. For instance, they have introduced paper straws and wooden cutlery in multiple markets, testing fiber lids and exploring reusable cups. MCD also aims to design out waste and advance recovery and reuse of materials across the value chain. For example, while the company's goals focus on all take-out packaging, over 80% of which is made of fiber sources, they are also explicitly working on preventing plastic waste from ending up in nature.

Supporting youth opportunity and employability: MCD's is committed to leveraging its resources to provide training and education programs that build paths forward for people, no matter where they are in their lives. For example, in Europe, MCD and participating Franchisees have pledged to offer 45,000 apprenticeships by 2025. Through this pledge, MCD's joined the European Alliance for Apprenticeships to help promote and improve access to vocational training for young people.

Driving responsible antibiotic use: The company believes antibiotic resistance is a critical public health issue, and they partner with suppliers, veterinarians, academia and farmers to ensure the responsible use of antibiotics in their supply chain, helping preserve antibiotic effectiveness for future generations. Since February 2019, MCD has tracked antibiotic use in over 4 billion chickens from 20 suppliers and 85 slaughter facilities, covering 88 different medicines and resulting in significant reductions in antibiotic use across their supply chain. For beef, MCD's collaborated with their suppliers and producers to complete a global pilot test in 2020 to gather farm-level data on antibiotic use. This data is used to inform collaborative conversations with industry leaders on the next target-setting phase within their supply chain.