



FINANCIAL MODELLING REPORT

(A Comprehensive Ratio, Du-Point & Precedent Transaction Analysis)



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Company Overview

McDonald's Corporation operates and franchises McDonald's restaurants globally, serving a wide range of food and beverages such as hamburgers, cheeseburgers, chicken sandwiches, fries, shakes, desserts, and beverages. They offer full or limited breakfast options and run promotional campaigns for various products. Founded in 1940 and headquartered in Chicago, Illinois, the company operates under different structures including conventional franchise, developmental license, or affiliate arrangements.

Ticker
MCD

CMP
\$305.63

Industry
Food Service Retail
Chain Operator

Sector
Consumer
Discretionary

**Net Profit Margin
Growth Rate**
22.5% (approx.)

**Intrinsic Share
Price**
239.5

Transaction Comps

Inspire V/S Dunkin

Premium Paid	5.3%
Trans. Value	\$ 11478.34Mn
TV/EBIT	27.6x
TV/EBITDA	26.3x
TV/Revenue	8.8x

Darden V/S Ruth

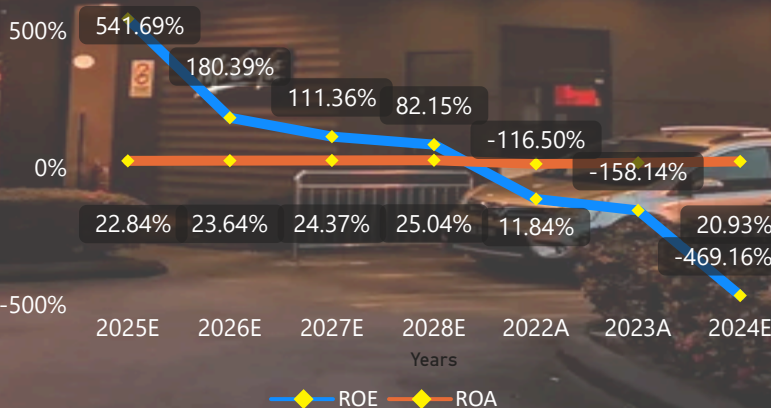
Premium Paid	34.1%
Trans. Value	\$ 926.37Mn
TV/EBIT	11.5x
TV/EBITDA	11.0x
TV/Revenue	1.8x

Authentic Rest. V/S Fiesta Rest.

Trans. Value	\$ 340.86Mn
TV/Revenue	0.8x
Premium Paid	1.4%
TV/EBITDA	12.0x
TV/EBIT	35.7x

**Implied
Enterprise Value**
2,11,026 Mn

ROE & ROA over the years



DuPoint Analysis Summary

- ROE is seen recovering drastically from -116.51% in the historical years to 82.15% in the estimated years and this positive change in the forecasted years is the result of steep increase in the Net Profit Margin historically from 26.6% to 33.2 and is forecasted to reach a high of 39.8%.
- ROA has also increased significantly over the historical years 11.85% to 15.89% and is anticipated to reach 25.05% as per the Du-Point Analysis. Here also the Net Profit Margin plays a pivotal role in its surge

MCD Common Size Statement Particulars in Millions:	Actual			Estimated				
	2021	2022	2023	2024	2025	2026	2027	2028

Common Size Income Statement - McDONALD'S CORPORATION

Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Food & paper	13.34%	11.81%	11.92%	12.43%	12.89%	13.37%	13.86%	14.37%
Payroll & employee benefits	11.53%	11.29%	11.32%	11.48%	11.90%	12.34%	12.80%	13.27%
Occupancy & other operating expenses	9.79%	8.74%	9.02%	9.24%	9.59%	9.94%	10.31%	10.69%
Franchised restaurants-occupancy expenses	10.05%	10.14%	9.71%	9.48%	9.26%	9.03%	8.80%	8.55%
Other restaurant expenses	1.12%	1.06%	0.91%	0.84%	0.76%	0.69%	0.62%	0.56%
Total Company-operated restaurant expenses	45.83%	43.03%	42.88%	43.47%	44.40%	45.37%	46.39%	47.44%
Depreciation & Amortization	1.42%	1.60%	1.50%	1.39%	1.35%	1.31%	1.27%	1.23%
Other	10.24%	10.75%	9.55%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating (income) expense, net	-2.08%	4.20%	0.39%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Selling, General & Administrative expenses	9.58%	16.55%	11.44%	1.39%	1.35%	1.31%	1.27%	1.23%
Total Operating Costs & Expenses	55.41%	59.58%	54.32%	44.86%	45.75%	46.68%	47.65%	48.67%
Operating income	44.59%	40.42%	45.68%	55.14%	54.25%	53.32%	52.35%	51.33%
Interest expense-net of capitalized interest	5.11%	5.21%	5.34%	4.16%	3.52%	2.94%	2.41%	1.94%
Nonoperating (income) expense, net	0.18%	1.46%	-0.93%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before provision for income	39.31%	33.76%	41.27%	50.98%	50.73%	50.38%	49.93%	49.39%
Provision for income taxes	6.82%	7.11%	8.05%	9.95%	9.90%	9.83%	9.74%	9.64%
Net income	32.49%	26.65%	33.22%	41.03%	40.83%	40.55%	40.19%	39.75%
Common Stock Dividend	16.87%	17.98%	17.78%	25.59%	25.17%	24.74%	24.29%	23.82%
Retained Earnings	15.62%	8.67%	15.44%	15.44%	15.66%	15.81%	15.90%	15.94%

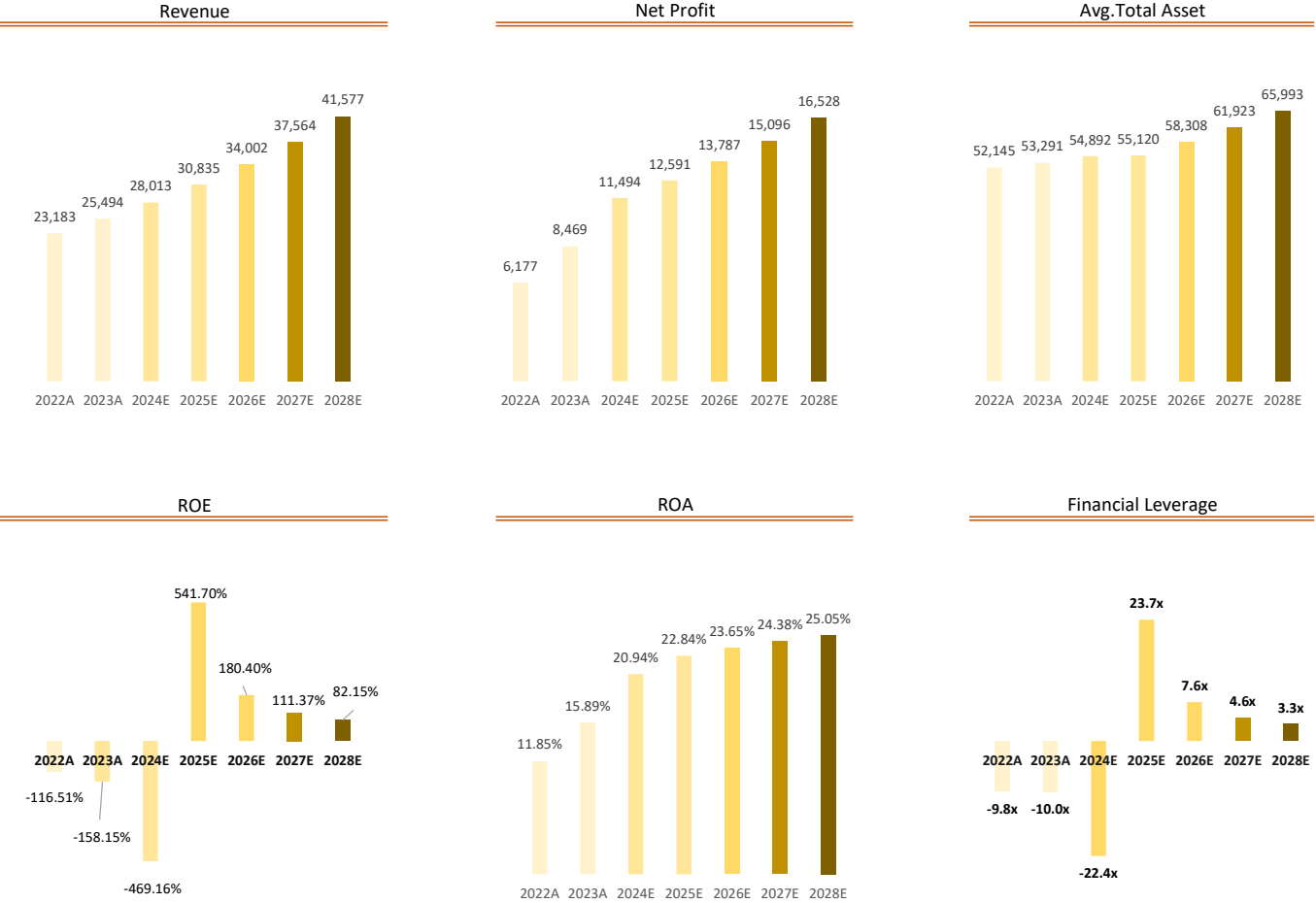
Common Size Balance Sheet - McDONALD'S CORPORATION

Total assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cash and equivalents	8.74%	5.12%	8.16%	2.61%	5.20%	7.74%	10.22%	12.62%
Accounts and notes receivable	3.48%	4.19%	4.43%	4.60%	4.80%	4.99%	5.19%	5.38%
Inventories, at cost, not in excess of market	0.10%	0.10%	0.09%	0.12%	0.13%	0.14%	0.15%	0.16%
Prepaid expenses and other current assets	0.95%	1.34%	1.54%	1.15%	1.23%	1.30%	1.38%	1.46%
Total current assets	13.27%	10.75%	14.22%	8.49%	11.36%	14.17%	16.93%	19.62%
Investments in & advances to affiliates	2.23%	2.11%	1.92%	2.01%	1.91%	1.80%	1.69%	1.58%
Goodwill	5.17%	5.75%	5.42%	5.67%	5.37%	5.07%	4.76%	4.46%
Capitalized Software	1.48%	1.71%	1.49%	1.68%	1.73%	1.79%	1.85%	1.91%
Miscellaneous	6.79%	7.62%	8.52%	8.91%	8.45%	7.97%	7.49%	7.02%
Total other assets	15.66%	17.19%	17.34%	18.28%	17.46%	16.62%	15.79%	14.97%
Net Lease right-of-use asset	25.16%	24.91%	24.07%	25.20%	23.88%	22.52%	21.17%	19.83%
Property and equipment, at cost	77.83%	81.37%	77.60%	85.80%	86.06%	86.21%	86.23%	86.13%
Accumulated Depreciation & Amortization	-31.93%	-34.23%	-33.24%	-37.76%	-38.75%	-39.52%	-40.13%	-40.54%
Net Property & Equipment	45.90%	47.14%	44.36%	48.04%	47.30%	46.69%	46.10%	45.59%
Total Liabilities and Shareholders' equity	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Short-term borrowings and current maturities of long-term debt	0.00%	0.00%	3.90%	0.00%	0.00%	0.00%	1.32%	0.00%
Accounts payable	1.87%	1.94%	1.96%	2.21%	2.36%	2.50%	2.66%	2.82%
Lease liability	1.31%	1.31%	1.23%	1.28%	1.22%	1.15%	1.08%	1.01%
Income taxes	0.67%	0.55%	1.26%	1.31%	1.25%	1.17%	1.10%	1.03%
Other taxes	0.44%	0.51%	0.48%	0.50%	0.47%	0.45%	0.42%	0.39%
Accrued interest	0.67%	0.78%	0.84%	0.87%	0.83%	0.78%	0.73%	0.69%
Accrued payroll and other liabilities	2.50%	2.45%	2.55%	2.67%	2.53%	2.39%	2.25%	2.10%
Total current liabilities	7.46%	7.54%	12.22%	8.86%	8.65%	8.44%	9.56%	8.05%
Long-term debt	66.15%	71.19%	66.17%	60.11%	53.04%	46.09%	37.94%	32.66%
Long-term lease liability	24.18%	24.06%	23.26%	24.34%	23.07%	21.76%	20.46%	19.16%
Long-term income taxes	3.52%	1.57%	0.65%	0.68%	0.64%	0.61%	0.57%	0.53%
Deferred revenues - initial franchise fees	1.37%	1.50%	1.41%	1.47%	1.40%	1.32%	1.24%	1.16%
Other long-term liabilities	2.01%	2.09%	1.69%	1.77%	1.68%	1.58%	1.49%	1.39%
Deferred income taxes	3.85%	3.96%	2.99%	3.13%	2.97%	2.80%	2.63%	2.47%
Total Long-term liabilities	101.08%	104.36%	96.17%	91.50%	82.79%	74.16%	64.32%	57.37%
Preferred stock, no par value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common stock, \$0.01 par value	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.02%
Additional paid-in capital	15.28%	16.95%	15.84%	16.93%	16.41%	15.85%	15.30%	14.74%
Accumulated Retained earnings	106.83%	118.06%	113.06%	126.42%	128.33%	129.98%	131.57%	132.94%
Accumulated other comprehensive income (loss)	-4.78%	-4.93%	-4.37%	-4.58%	-4.34%	-4.09%	-3.85%	-3.60%
Total Shareholders' equity	-8.54%	-11.90%	-8.38%	-0.36%	8.55%	17.40%	26.11%	34.58%

MCD Ratio Analysis		Actual		Estimated					
		2022	2023	2024	2025	2026	2027	2028	
Particulars in Millions:									
Liquidity Ratios									Trend Line
Current Ratio	1.43	1.16	0.96	1.31	1.68	1.77	2.44		
Quick Ratio	1.24	1.03	0.81	1.16	1.51	1.61	2.24		
Cash Ratio	0.68	0.67	0.29	0.60	0.92	1.07	1.57		
Activity/Efficiency Ratios									
AR Turnover Ratio	11.63x	11.08x	11.30x	11.89x	11.90x	11.91x	11.92x		
Inventory Turnover Ratio	185.42x	208.61x	208.07x	199.03x	196.30x	193.69x	191.21x		
AP Turnover Ratio	10.04x	10.50x	10.64x	10.86x	10.88x	10.89x	10.90x		
Days of Sales Outstanding	30.96	32.50	31.85	30.28	30.25	30.23	30.20		
Days of Inventory on Hand	1.94	1.73	1.73	1.81	1.83	1.86	1.88		
Number of Days of Payable	35.85	34.30	33.84	33.14	33.10	33.07	33.03		
Solvency Ratios									
Interest Coverage Ratio	7.76x	8.56x	13.25x	15.41x	18.12x	21.69x	26.51x		
Debt to Equity Ratio	-5.98	-8.36	-167.08	6.20	2.65	1.50	0.94		
Debt to Capital Ratio	1.20	1.14	1.01	0.86	0.73	0.60	0.49		
Debt to Assets Ratio	0.71	0.70	0.60	0.53	0.46	0.39	0.33		
Profitability Ratios									
Gross Profit Margin	56.97%	57.12%	56.53%	55.60%	54.63%	53.61%	52.56%		
Operating Profit Margin	40.42%	45.68%	55.14%	54.25%	53.32%	52.35%	51.33%		
PreTax Profit Margin	33.76%	41.27%	50.98%	50.73%	50.38%	49.93%	49.39%		
Net Profit Margin	26.65%	33.22%	41.03%	40.83%	40.55%	40.19%	39.75%		
Return on Assets	11.85%	15.89%	20.94%	22.84%	23.65%	24.38%	25.05%		
Return on Capital Employed(ROCE)	20.28%	26.24%	34.47%	37.64%	37.79%	37.82%	37.75%		
Return on Equity/Return on Common Equity	-116.51%	-158.15%	-469.16%	541.70%	180.40%	111.37%	82.15%		

MCD DuPoint Analysis Particulars in Millions:	Actual			Estimated				
	2021	2022	2023	2024	2025	2026	2027	2028

Financial Summary



Return on Equity (ROE)							
Net Profit	6,177	8,469	11,494	12,591	13,787	15,096	16,528
Avg. Shareholder Equity	-5,302	-5,355	-2,450	2,324	7,643	13,555	20,119
Return on Equity	-116.51%	-158.15%	-469.16%	541.70%	180.40%	111.37%	82.15%

ROE - DuPoint Equation							
Net Income	6,177	8,469	11,494	12,591	13,787	15,096	16,528
Revenue	23,183	25,494	28,013	30,835	34,002	37,564	41,577
Net Profit Margin (A)	26.6%	33.2%	41.0%	40.8%	40.5%	40.2%	39.8%
Revenue	23,183	25,494	28,013	30,835	34,002	37,564	41,577
Avg. Total Assets	52,145	53,291	54,892	55,120	58,308	61,923	65,993
Asset Turnover Ratio (B)	0.4x	0.5x	0.5x	0.6x	0.6x	0.6x	0.6x
Avg. Total Assets	52,145	53,291	54,892	55,120	58,308	61,923	65,993

MCD DuPoint Analysis	Actual			Estimated				
	2021	2022	2023	2024	2025	2026	2027	2028
Particulars in Millions:								
Avg. Shareholder's Equity		-5,302	-5,355	-2,450	2,324	7,643	13,555	20,119
Asset Equity Multiplier (C)		-9.8x	-10.0x	-22.4x	23.7x	7.6x	4.6x	3.3x
Return on Equity (A*B*C)		-116.51%	-158.15%	-469.16%	541.70%	180.40%	111.37%	82.15%

Return on Asset (ROA)							
Net Income	6,177	8,469	11,494	12,591	13,787	15,096	16,528
Avg. Total Assets	52,145	53,291	54,892	55,120	58,308	61,923	65,993
Return on Asset	11.85%	15.89%	20.94%	22.84%	23.65%	24.38%	25.05%

ROA - DuPoint Equation							
Net Income	6,177	8,469	11,494	12,591	13,787	15,096	16,528
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Asset Turnover Ratio (B)	0.4x	0.5x	0.5x	0.6x	0.6x	0.6x	0.6x
Return on Asset (A*B)	11.85%	15.89%	20.94%	22.84%	23.65%	24.38%	25.05%

DuPoint Analysis

- ROE is seen recovering drastically from -116.51% in the historical years to 82.15% in the estimated years and this positive change in the forecasted years is the result of steep increase in the Net Profit Margin historically from 26.6% to 33.2 and is forecasted to reach a high of 39.8%.
- ROA has also increased significantly over the historical years 11.85% to 15.89% and is anticipated to reach 25.05% as per the Dupoint Analysis. Here also the Net Profit Margin plays a pivotal role in its surge



Transaction Comparables Input

(in \$Mn except share price)

GENERAL TRANSACTION INFORMATION

	1	2	3
Transaction number			
Target name (parent of sub when applicable)	Dunkin' Brands Group, Inc.	Fiesta Restaurant Group, Inc.	Ruth's Hospitality Group
Acquirer name	Inspire Brands, Inc.	Authentic Restaurant Brands	Darden Restaurants
Announcement date	30-10-2020	07-08-2023	03-05-2023
Source document	Press Release by Inspire Brands	Press Release by Authentic Restaurant Brands	Press Release by Darden Restaurants
Document date	15-12-2020	30-10-2023	14-06-2023
Effective date	30-10-2020	07-08-2023	03-05-2023
Source documents	Press Release by Inspire Brands	Press Release by Authentic Restaurant Brands	Press Release by Darden Restaurants
Document date	15-12-2020	30-10-2023	14-06-2023
Deal status	Complete	Complete	Complete
Business description	American fast-food restaurant franchise company	Chain of fast casual/quick service restaurants offering Mexican cuisine	A restaurant company with a focus on American steakhouse restaurants

TRANSACTION TERMS

Consideration (% Stock)	100%	100%	100%
Source document	Press Release by Inspire Brands	Press Release by Authentic Restaurant Brands	Press Release by Darden Restaurants
Document date	15-12-2020	30-10-2023	14-06-2023
Offer Price per Share	\$106.50	\$8.50	\$21.50
Source document	Press Release by Inspire Brands	Press Release by Authentic Restaurant Brands	Press Release by Darden Restaurants
Document date	15-12-2020	30-10-2023	14-06-2023
Unaffected target share price	\$101.10	\$8.38	\$16.03
Unaffected price date	29-10-2020	04-08-2023	02-05-2023
Premium Paid	5.3%	1.4%	34.1%
Announced Synergies (mm's)			
Source document			
Document date			

CALCULATION OF OFFER VALUE

% acquired	100%	100%	100%
Shares acquired	82.42	26.19	32.13
Shares required to acquire 100%	82.4	26.2	32.1
Total shares issued	83.8	26.2	32.1
Total offer value	8,924.8	222.6	690.9

CALCULATION OF TRANSACTION VALUE

Source document			
Document date			
Offer Value	\$8,924.8	\$222.6	\$690.9
Cash and equivalents	866.71	34.75	16.00
Short Term Debt	70.71	0.04	14.31
Long Term Debt	3349.56	152.96	237.21
Minority interest			
Convertible debt			
Convertible preferred stock			
Other			
Transaction Value	\$11,478.3	\$340.9	\$926.4

LTM FINANCIALS
Last fiscal year

Total Revenues	1370.23	387.35	505.86
Cost of goods sold	155.02	124.56	151.29
Gross Profit	1,215.2	262.8	354.6
Selling, general, & administrative	745.43	65.06	54.43
Other operating expenses	18.43	195.97	243.46
EBIT	451.4	1.8	56.7
Interest expense			
Nonoperating income / (expense)			
Pretax income	451.4	1.8	56.7
Taxes			
Equity interests income / (expense)			
Net Income	451.4	1.8	56.7
Excluded items from COGS (Pretax)			
Excluded items from SG&A (Pretax)			
Excluded items from Other Operating (Pretax)			
Excluded items from Nonoperating income (Pretax)			
Adjustment to taxes			

EBITDA Calculation

Depreciation & Amortization	18.43	20.05	22.10
EBITDA	469.8	21.8	78.8

Latest stub period end

Sep-20

Jul-23

Mar-23

of quarters

Total Revenues	972.06	210.21	136.86
Cost of goods sold	111.95	65.18	42.42
Gross Profit	860.1	145.0	94.4
Selling, general, & administrative	534.10	26.94	14.02
Other operating expenses	16.48	109.70	66.75
EBIT	309.5	8.4	13.7
Interest expense			
Nonoperating income / (expense)			
Pretax income	309.5	8.4	13.7
Taxes			
Equity interests income / (expense)			
Net Income	309.5	8.4	13.7
Excluded items from COGS (Pretax)			
Excluded items from SG&A (Pretax)			
Excluded items from Other Operating (Pretax)			
Excluded items from Nonoperating income (Pretax)			
Adjustment to taxes			

EBITDA Calculation

Depreciation & Amortization	16.48	9.21	6.54
EBITDA	326.0	17.6	20.2

Latest stub period minus 1 year
of quarters

Total Revenues	1034.31	194.10	126.13
Cost of goods sold	118.72	63.33	38.61
Gross Profit	915.6	130.8	87.5
Selling, general, & administrative	556.36	26.27	14.16
Other operating expenses	13.92	103.90	59.43
EBIT	345.3	0.6	13.9
Interest expense			
Nonoperating income / (expense)			
Pretax income	345.3	0.6	13.9
Taxes			
Equity interests income / (expense)			
Net Income	345.3	0.6	13.9
Excluded items from COGS (Pretax)			
Excluded items from SG&A (Pretax)			
Excluded items from Other Operating (Pretax)			
Excluded items from Nonoperating income (Pretax)			
Adjustment to taxes			

EBITDA Calculation

Depreciation & Amortization	13.92	10.35	4.79
EBITDA	359.2	10.9	18.7

LTM Period	26/9/20	2/7/23	26/3/23
Total Revenues	1,308.0	403.5	516.6
Cost of goods sold	148.2	126.4	155.1
Gross Profit	1,159.7	277.1	361.5
Selling, general, & administrative	723.2	65.7	54.3
EBIT	415.6	9.5	56.4
Interest expense	0.0	0.0	0.0
Nonoperating income	0.0	0.0	0.0
Pretax income	415.6	9.5	56.4
Taxes	0.0	0.0	0.0
Net Income	415.6	9.5	56.4
EBITDA	436.6	28.5	80.3

LTM VALUATION

Offer value	8,924.8	222.6	690.9
Transaction value	11,478.3	340.9	926.4
LTM TV / Revenues	8.8x	0.8x	1.8x
LTM TV / EBITDA	26.3x	12.0x	11.5x
LTM TV / EBIT	27.6x	35.7x	16.4x

CALCULATION OF SHARES OUTSTANDING

Options Data

Options outstanding

Tranche 1	2.69		
Tranche 2			
Tranche 3			
Tranche 4			
Tranche 5			
Tranche 6			
Tranche 7			

Exercise price

Tranche 1	51.71		
Tranche 2			
Tranche 3			
Tranche 4			
Tranche 5			
Tranche 6			
Tranche 7			

In the money exercisable options

Tranche 1	2.7	0.0	0.0
Tranche 2	0.0	0.0	0.0
Tranche 3	0.0	0.0	0.0
Tranche 4	0.0	0.0	0.0
Tranche 5	0.0	0.0	0.0
Tranche 6	0.0	0.0	0.0
Tranche 7	0.0	0.0	0.0

Total shares from exercise of options	2.7	0.0	0.0
Total shares repurchased with option proceeds	1.3	0.0	0.0
Net dilutive shares from exercise of options	1.4	0.0	0.0

Book value of convertible debt

Convert preferred debt? (y/n)	n	n	n
Common shares from convertible debt			

Book value of convertible preferred stock

Convert convertible preferred stock? (y/n)	n	n	n
Common shares from convertible preferred stock			

Fully diluted shares outstanding	83.8	26.2	32.1
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Transaction Comparables Output

(in \$Mn except share price)

							Multiples				
Transaction	Acquirer	Target	Announce ment date	Effective date	Offer value	Trans. value	TV / EBIT	TV / EBITDA	TV / REV	Premium Paid	
1	Inspire Brands, Inc.	Dunkin' Brands Group, Inc.	30/10/2020	30/10/2020	\$11,478.34	\$11,478.34	27.6x	26.3x	8.8x	5.3%	
2	Authentic Restaurant Brands	Fiesta Restaurant Group, Inc.	07/08/2023	07/08/2023	\$340.86	\$340.86	35.7x	12.0x	0.8x	1.4%	
3	Darden Restaurants	Ruth's Hospitality Group	03/05/2023	03/05/2023	\$926.37	\$926.37	16.4x	11.5x	1.8x	34.1%	
							High	35.7x	26.3x	8.8x	34.1%
							Low	16.4x	11.5x	0.8x	1.4%
							Mean	26.6x	16.6x	3.8x	13.6%
							Median	27.6x	12.0x	1.8x	5.3%