



McDonald's Corporation: Financial Analysis

This presentation explores McDonald's Corporation's recent financial performance using balance sheet, income statement, and ratio analysis. Highlights key trends for 2022-2023 years.

Krishna Damarla, 26-Jan-2025

Summary Video





Company Overview

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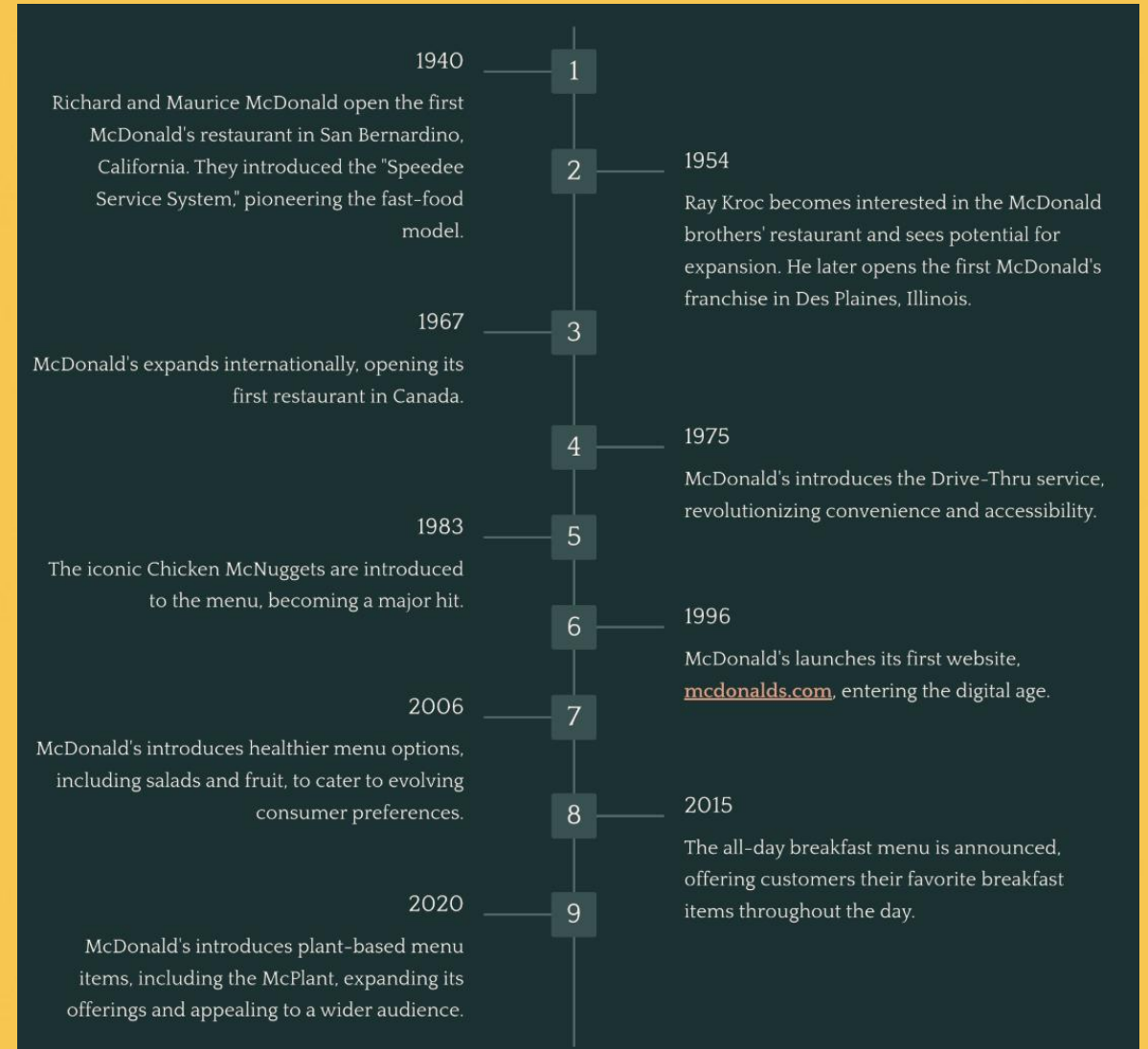
Conclusion and Recommendation

Company Overview

From Humble Beginnings to Global Giant

McDonald's Corporation is a global leader in the fast-food industry, with over 38,000 restaurants serving millions of customers daily.

McDonald's focuses on quick-service meals with consistency and value, contributing to its strong revenue growth.



Company Overview

2023 Highlights

Strategic partnership with Google Cloud to apply generative AI solutions across McDonald's restaurants worldwide.

Upgraded burgers with softer toasted buns, perfectly melted cheese, and extra special sauce.

Nostalgic promotions featuring the Hamburglar.

Expansion of loyalty program to 50 markets with over 25 million active digital customers.

Implementation of digital ordering and convenient order-ahead, grab-n-go locations.

Key Growth Initiatives

Digital Integration: Connect thousands of restaurants with Google Cloud technology to enhance operations and customer experience starting in 2024.

Delivery Focus: Aim for 30% of delivery orders to originate from the mobile app by the end of 2027.

Expansion Goals: Reach 50,000 restaurants worldwide by 2027.

Loyalty Program: Expand from 150 million to 250 million active users by 2027.

Menu Enhancements: Bring both McCrispy and Best Burger to nearly all markets by 2025 and 2026, respectively.



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Horizontal Analysis of Balance Sheet

Horizontal analysis on McDonald's balance sheet, analyzes key changes in assets, liabilities, and equity between 2023 and 2022. Compares if total assets of McDonald's balance sheet are a sum of total Liabilities and equity and how each line item has changed over time

It reveals trends and growth patterns, offering insights into the company's performance. The objective is to identify significant shifts in the company's financial structure and assess its impact on its overall financial health.

Total Assets = Total Liabilities + Equity

Consolidated Balance Sheet - USD (\$) shares in Thousands	Dec. 31, 2023	Dec. 31, 2022	Increase or Decrease	
			Amount	%
Current assets				
Cash and equivalents	\$ 4,579,300,000	\$ 2,583,800,000	\$ 1,995,500,000	77.2%
Accounts and notes receivable	2,488,000,000	2,115,000,000	373,000,000	17.6%
Inventories, at cost, not in excess of market	52,800,000	52,000,000	800,000	1.5%
Prepaid expenses and other current assets	866,300,000	673,400,000	192,900,000	28.6%
Total current assets	7,986,400,000	5,424,200,000	2,562,200,000	47.2%
Other assets				
Investments in and advances to affiliates	1,080,200,000	1,064,500,000	\$ 15,700,000	1.5%
Goodwill	3,040,400,000	2,900,400,000	140,000,000	4.8%
Miscellaneous	5,617,800,000	4,707,200,000	910,600,000	19.3%
Total other assets	9,738,400,000	8,672,100,000	1,066,300,000	12.3%
Property and equipment				
Property and equipment, at cost	43,570,000,000	41,037,600,000	2,532,400,000	6.2%
Accumulated depreciation and amortization	(18,662,400,000)	(17,264,000,000)	\$ (1,398,400,000)	8.1%
Net property and equipment	24,907,600,000	23,773,600,000	\$ 1,134,000,000	4.8%
Total assets	56,146,800,000	50,435,600,000	5,711,200,000	11.3%
Current liabilities				
Debt, Current	2,192,400,000	0	2,192,400,000	#DIV/0!
Accounts payable	1,102,900,000	980,200,000	122,700,000	12.5%
Income taxes	705,100,000	274,900,000	430,200,000	156.5%
Other taxes	268,000,000	255,100,000	12,900,000	5.1%
Accrued interest	468,900,000	393,400,000	75,500,000	19.2%
Accrued payroll and other liabilities	1,433,600,000	1,237,400,000	196,200,000	15.9%
Total current liabilities	6,859,000,000	3,802,100,000	3,056,900,000	80.4%
Long-term debt	37,152,900,000	35,903,500,000	1,249,400,000	3.5%
Long-term income taxes	363,200,000	791,900,000	(428,700,000)	-54.1%
Deferred revenues - initial franchise fees	790,100,000	757,800,000	32,300,000	4.3%
Other long-term liabilities	949,700,000	1,051,800,000	(102,100,000)	-9.7%
Deferred income taxes	\$ 1,680,900,000	1,997,500,000	(316,600,000)	-15.8%
Preferred stock, issued	0		-	#DIV/0!
Shareholders' equity (deficit)				
Preferred stock, no par value; authorized – 165.0 million shares; issued – none	\$ 0	0	-	#DIV/0!
Common stock, \$.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares	16,600,000	16,600,000	-	0.0%
Additional paid-in capital	8,892,900,000	8,547,100,000	345,800,000	4.0%
Retained earnings	63,479,900,000	59,543,900,000	3,936,000,000	6.6%
Accumulated other comprehensive income (loss)	(2,456,000,000)	(2,486,600,000)	30,600,000	-1.2%
Common stock in treasury, at cost; 937.9 and 915.8 million shares	(74,640,100,000)	(71,624,400,000)	(3,015,700,000)	4.2%
Total shareholders' equity (deficit)	(4,706,700,000)	(6,003,400,000)	1,296,700,000	-21.6%
Total liabilities and shareholders' equity (deficit)	56,146,800,000	50,435,600,000	5,711,200,000	11.3%
Revision of Prior Period, Adjustment [Member]	2,152,300,000			
Other assets				
Lease right-of-use asset, net	13,514,400,000	12,565,700,000	948,700,000	7.5%
Current liabilities				
Lease liability	688,100,000	661,100,000	27,000,000	4.1%
Long-term lease liability	\$ 13,057,700,000	\$ 12,134,400,000	923,300,000	7.6%

Horizontal Analysis of Balance Sheet

Key Changes in Assets, Liabilities and Equity (2023 vs 2022)

Total Current Assets

Increased by \$2.56 billion, a 47.2% increase, indicating growth in liquid assets.

Current Liabilities

Increased by \$3.06 billion, an 80.4% increase, driven by higher tax obligations and new debt.

Cash and Equivalents

Increased by \$1.995 billion, a 77.2% increase, demonstrating a strengthening liquidity position.

Total Liabilities

Increased by \$5.71 billion, an 11.3% increase, reflecting the growth in debt and other liabilities.

Accounts Receivable

Increased by \$373 million, a 17.6% increase, reflecting higher sales and revenue growth.

Total Shareholders' Equity

Improved by \$1.3 billion, a 21.6% increase, showcasing positive growth in shareholder value.



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Horizontal Analysis of Income Statement

- The Income statement discusses McDonald's revenue, expenses & other activities.
- On the right, the horizontal analysis of the income statement verifies that Operating Income is calculated as Total Revenues minus Total Operating Costs and Expenses.
- This analysis helps to track the changes in each line-item over time, highlighting the increase or decrease in amounts.

Consolidated Statement of Income - USD (\$) \$ in Millions	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Increase or Decrease 2022 to 2023		Increase or Decrease 2021 to 2022	
				Amount	%	Amount	%
REVENUES							
Sales by Company-operated restaurants	\$ 9,741.6	\$ 8,748.4	\$ 9,787.4	\$ 993	11.4%	\$ (1,039)	-10.6%
Revenues from franchised restaurants	15,436.5	14,105.8	13,085.4	\$ 1,331	9.4%	\$ 1,020	7.8%
Other revenues	315.6	328.4	350.1	\$ (13)	-3.9%	\$ (22)	-6.2%
Total revenues	25,493.7	23,182.6	23,222.9	\$ 2,311	10.0%	\$ (40)	-0.2%
OPERATING COSTS AND EXPENSES							
Food & paper	3,039	2,737.3	3,096.8	302	11.0%	(360)	-11.6%
Payroll & employee benefits	2,885.8	2,617.4	2,677.2	268	10.3%	(60)	-2.2%
Occupancy & other operating expenses	2,299.3	2,026.2	2,273.3	273	13.5%	(247)	-10.9%
Franchised restaurants-occupancy expenses	2,474.6	2,349.7	2,335	125	5.3%	15	0.6%
Other restaurant expenses	232.5	244.8	260.4	(12)	-5.0%	(16)	-6.0%
Depreciation and amortization	381.7	370.4	329.7	11	3.1%	41	12.3%
Other	2,435.2	2,492.2	2,377.8	(57)	-2.3%	114	4.8%
Other operating (income) expense, net	98.9	973.6	(483.3)	(875)	-89.8%	1,457	-301.4%
Total operating costs and expenses	13,847	13,812	12,867	35	0.3%	945	7.3%
Operating income	11,646.7	9,371.0	10,356.0	2,276	24.3%	(985)	-9.5%
Interest expense-net of capitalized interest of \$14.5, \$9.5 and \$6.8	1,360.8	1,207	1,185.8	154	12.7%	21	1.8%
Nonoperating (income) expense, net	(236.3)	338.6	42.3	(575)	-169.8%	296	700.5%
Income before provision for income taxes	10,522.2	7,825.4	9,127.9	2,697	34.5%	(1,303)	-14.3%
Provision for income taxes	2,053.4	1,648	1,582.7	405	24.6%	65	4.1%
Net income	\$ 8,468.8	\$ 6,177.4	\$ 7,545.2	2,291	37.1%	(1,368)	-18.1%
Earnings per common share-basic	\$ 11.63	\$ 8.39	\$ 10.11				
Earnings per common share-diluted	11.56	8.33	10.04				
Dividends declared per common share	\$ 6.23	\$ 5.66	\$ 5.25				
Weighted-average shares outstanding-basic	727.9	736.5	746.3				
Weighted-average shares outstanding-diluted	732.3	741.3	751.8				

Total Assets = Total Liabilities + Equity

Horizontal Analysis of Income Statement

Key Changes in Revenue, Costs & Income (2023 vs 2022)

- **Total Revenues:** Increased by \$2.31 billion (10.0%), driven by higher sales from both franchised and company-operated restaurants.
 - **Sales by Company-operated Restaurants:** Rose by \$993 million (11.4%)
 - **Revenues from Franchised Restaurants:** Increased by \$1.33 billion (9.4%).
 - **Other Revenues:** Decreased by \$13 million (-3.9%).
- **Net Income:** Improved by \$2.29 billion (37.1%), reflecting strong revenue growth and lower operating losses.
- **Operating Costs and Income**
 - **Total Operating Costs:** Remained nearly flat, increasing slightly by \$35 million (0.3%).
 - **Key Expense Increases:** Food & Paper (11.0%) and Payroll & Employee Benefits (10.3%).
 - **Other Operating (Income) Expense:** Dropped significantly by \$875 million (-89.8%).
- **Operating Income:** Increased by \$2.28 billion (24.3%), driven by higher revenues and controlled expenses.



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Vertical Analysis of Balance Sheet

- **Vertical Analysis:** Also known as component percentage analysis, shows the proportion of individual components (such as revenues, expenses, assets, and liabilities) as a percentage of a base figure.
 - **Base Figure:** Could be total assets in the balance sheet or total revenue in the income statement.
- This type of analysis helps to highlight the relative importance of each component and its contribution to the overall financial performance or position of the company.

Consolidated Balance Sheet - USD (\$)			Component Percentages	
shares in Thousands	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Current assets				
Cash and equivalents	\$ 4,579,300,000	\$ 2,583,800,000	8.2%	5.1%
Accounts and notes receivable	2,488,000,000	2,115,000,000	4.4%	4.2%
Inventories, at cost, not in excess of market	52,800,000	52,000,000	0.1%	0.1%
Prepaid expenses and other current assets	866,300,000	673,400,000	1.5%	1.3%
Total current assets	7,986,400,000	5,424,200,000	14.2%	10.8%
Other assets				
Investments in and advances to affiliates	1,080,200,000	1,064,500,000	0.0%	0.0%
Goodwill	3,040,400,000	2,900,400,000	1.9%	2.1%
Miscellaneous	5,617,800,000	4,707,200,000	5.4%	5.8%
Total other assets	9,738,400,000	8,672,100,000	10.0%	9.3%
Property and equipment				
Property and equipment, at cost	43,570,000,000	41,037,600,000	17.3%	17.2%
Accumulated depreciation and amortization	(18,662,400,000)	(17,264,000,000)	0.0%	0.0%
Net property and equipment	24,907,600,000	23,773,600,000	77.6%	81.4%
Total assets	56,146,800,000	50,435,600,000	-33.2%	-34.2%
Current liabilities			44.4%	47.1%
Debt, Current	2,192,400,000	0	100.0%	100.0%
Accounts payable	1,102,900,000	980,200,000	0.0%	0.0%
Income taxes	705,100,000	274,900,000	0.0%	0.0%
Other taxes	268,000,000	255,100,000	3.9%	0.0%
Accrued interest	468,900,000	393,400,000	2.0%	1.9%
Accrued payroll and other liabilities	1,433,600,000	1,237,400,000	1.3%	0.5%
Total current liabilities	6,859,000,000	3,802,100,000	0.5%	0.5%
Long-term debt	37,152,900,000	35,903,500,000	0.8%	0.8%
Long-term income taxes	363,200,000	791,900,000	2.6%	2.5%
Deferred revenues - initial franchise fees	790,100,000	757,800,000	12.2%	7.5%
Other long-term liabilities	949,700,000	1,051,800,000	66.2%	71.2%
Deferred income taxes	\$ 1,680,900,000	1,997,500,000	0.6%	1.6%
Preferred stock, issued	0	0	1.4%	1.5%
Shareholders' equity (deficit)			1.7%	2.1%
Preferred stock, no par value; authorized – 165.0 million shares; issued – none	\$ 0	0	3.0%	4.0%
Common stock, \$.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares	16,600,000	16,600,000	0.0%	0.0%
Additional paid-in capital	8,892,900,000	8,547,100,000	0.0%	0.0%
Retained earnings	63,479,900,000	59,543,900,000	0.0%	0.0%
Accumulated other comprehensive income (loss)	(2,456,000,000)	(2,486,600,000)	15.8%	16.9%
Common stock in treasury, at cost; 937.9 and 915.8 million shares	(74,640,100,000)	(71,624,400,000)	113.1%	118.1%
Total shareholders' equity (deficit)	(4,706,700,000)	(6,003,400,000)	-4.4%	-4.9%
Total liabilities and shareholders' equity (deficit)	56,146,800,000	50,435,600,000	-132.9%	-142.0%
Revision of Prior Period, Adjustment [Member]	2,152,300,000		-8.4%	-11.9%
Other assets			100.0%	100.0%
Lease right-of-use asset, net	13,514,400,000	12,565,700,000		
Current liabilities				
Lease liability	688,100,000	661,100,000		
Long-term lease liability	\$ 13,057,700,000	\$ 12,134,400,000		

Vertical Analysis of Balance Sheet

Key Changes in Assets, Liabilities and Equity (2023 vs 2022)

- **Current Assets:** Increased by \$2.56 billion, accounting for 14.2% of total assets.
 - **Cash and Equivalents:** Increased by \$1.99 billion, rising from 5.1% to 8.2% of total assets.
 - **Accounts Receivable:** Increased by \$373 million, from 4.2% to 4.4% of total assets.
- **Property and Equipment:** Decreased by \$4.2 billion in percentage terms, dropping from 77.6% to 44.4% of total assets.
 - **Net Property and Equipment:** Increased by \$1.13 billion, but its percentage of total assets significantly dropped due to higher total assets.
- **Current Liabilities:** Increased by \$3.06 billion, rising from 7.5% to 12.2% of total assets.
 - **Debt (Current):** Increased by \$2.19 billion, now representing 3.9% of total assets.
 - **Long-Term Debt:** Decreased as a percentage of total assets from 71.2% to 66.2%, indicating a more balanced structure between short-term and long-term liabilities.
- **Shareholders' Equity:** Reduced by 3.5%, changing from -11.9% to -8.4%.
 - **Retained Earnings:** Slight increase by \$3.94 billion, indicating a positive shift.
 - **Treasury Stock:** Increased by \$3.02 billion, further impacting the equity position.

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Vertical Analysis of Income Statement

Key Changes in Revenue, Costs & Expenses (2023 vs 2022)

- **Total Revenues: \$25.49 billion** in 2023, representing a 9.9% increase from 2022.
 - **Sales by Company-operated Restaurants:** Increased by 11.4%, maintaining 38% of total revenue.
 - **Franchised Restaurants Revenue:** \$15.44 billion in 2023, a 9.4% increase from 2022, contributing 61% of total revenue (consistent with the prior year).
 - **Other Revenues:** Slight decrease of 3.9%, remaining at 1% of total revenue.

Consolidated Statement of Income - USD (\$) \$ in Millions	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Component Percentages		
				Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
REVENUES						
Sales by Company-operated restaurants	\$ 9,741.6	\$ 8,748.4	\$ 9,787.4	38%	38%	42%
Revenues from franchised restaurants	15,436.5	14,105.8	13,085.4	61%	61%	56%
Other revenues	315.6	328.4	350.1	1%	1%	2%
Total revenues	25,493.7	23,182.6	23,222.9	100%	100%	100%
OPERATING COSTS AND EXPENSES						
Food & paper	3,039	2,737.3	3,096.8	12%	12%	13%
Payroll & employee benefits	2,885.8	2,617.4	2,677.2	11%	11%	12%
Occupancy & other operating expenses	2,299.3	2,026.2	2,273.3	9%	9%	10%
Franchised restaurants-occupancy expenses	2,474.6	2,349.7	2,335	10%	10%	10%
Other restaurant expenses	232.5	244.8	260.4	1%	1%	1%
Depreciation and amortization	381.7	370.4	329.7	1%	2%	1%
Other	2,435.2	2,492.2	2,377.8	10%	11%	10%
Other operating (income) expense, net	98.9	973.6	(483.3)	0%	4%	-2%
Total operating costs and expenses	13,847	13,812	12,867	54%	60%	55%
Operating income	11,646.7	9,371.0	10,356.0	46%	40%	45%
Interest expense-net of capitalized interest of \$14.5, \$9.5 and \$6.8	1,360.8	1,207	1,185.8	5%	5%	5%
Nonoperating (income) expense, net	(236.3)	338.6	42.3	-1%	1%	0%
Income before provision for income taxes	10,522.2	7,825.4	9,127.9	41%	34%	39%
Provision for income taxes	2,053.4	1,648	1,582.7	8%	7%	7%
Net income	\$ 8,468.8	\$ 6,177.4	\$ 7,545.2	33%	27%	32%
Earnings per common share—basic	\$ 11.63	\$ 8.39	\$ 10.11	0%	0%	0%
Earnings per common share—diluted	11.56	8.33	10.04	0%	0%	0%
Dividends declared per common share	\$ 6.23	\$ 5.66	\$ 5.25	0%	0%	0%
Weighted-average shares outstanding—basic	727.9	736.5	746.3	3%	3%	3%
Weighted-average shares outstanding—diluted	732.3	741.3	751.8	3%	3%	3%

Vertical Analysis of Income Statement

Key Changes in Revenue, Costs & Expenses (2023 vs 2022)

- **Operating Costs and Expenses:** \$13.85 billion in 2023, reflecting a 0.3% increase from 2022.
 - **Food & Paper:** Increased by 11.1%, maintaining 12% of total revenue.
 - **Payroll & Employee Benefits:** Increased by 10.3%, consistent at 11% of total revenue.
 - **Occupancy & Other Operating Expenses:** Increased by 13.5%, stable at 9% of total revenue.
 - **Depreciation & Amortization:** Increased by 3%, resulting in a slight shift from 2% of total revenue in 2022.

Consolidated Statement of Income - USD (\$) \$ in Millions	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Component Percentages		
				Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
REVENUES						
Sales by Company-operated restaurants	\$ 9,741.6	\$ 8,748.4	\$ 9,787.4	38%	38%	42%
Revenues from franchised restaurants	15,436.5	14,105.8	13,085.4	61%	61%	56%
Other revenues	315.6	328.4	350.1	1%	1%	2%
Total revenues	25,493.7	23,182.6	23,222.9	100%	100%	100%
OPERATING COSTS AND EXPENSES						
Food & paper	3,039	2,737.3	3,096.8	12%	12%	13%
Payroll & employee benefits	2,885.8	2,617.4	2,677.2	11%	11%	12%
Occupancy & other operating expenses	2,299.3	2,026.2	2,273.3	9%	9%	10%
Franchised restaurants-occupancy expenses	2,474.6	2,349.7	2,335	10%	10%	10%
Other restaurant expenses	232.5	244.8	260.4	1%	1%	1%
Depreciation and amortization	381.7	370.4	329.7	1%	2%	1%
Other	2,435.2	2,492.2	2,377.8	10%	11%	10%
Other operating (income) expense, net	98.9	973.6	(483.3)	0%	4%	-2%
Total operating costs and expenses	13,847	13,812	12,867	54%	60%	55%
Operating income	11,646.7	9,371.0	10,356.0	46%	40%	45%
Interest expense-net of capitalized interest of \$14.5, \$9.5 and \$6.8	1,360.8	1,207	1,185.8	5%	5%	5%
Nonoperating (income) expense, net	(236.3)	338.6	42.3	-1%	1%	0%
Income before provision for income taxes	10,522.2	7,825.4	9,127.9	41%	34%	39%
Provision for income taxes	2,053.4	1,648	1,582.7	8%	7%	7%
Net income	\$ 8,468.8	\$ 6,177.4	\$ 7,545.2	33%	27%	32%
Earnings per common share—basic	\$ 11.63	\$ 8.39	\$ 10.11	0%	0%	0%
Earnings per common share—diluted	11.56	8.33	10.04	0%	0%	0%
Dividends declared per common share	\$ 6.23	\$ 5.66	\$ 5.25	0%	0%	0%
Weighted-average shares outstanding—basic	727.9	736.5	746.3	3%	3%	3%
Weighted-average shares outstanding—diluted	732.3	741.3	751.8	3%	3%	3%

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Financial Ratios & Trend Analysis

Return on Equity (ROE)

Measures a company's ability to generate profit relative to its shareholders' equity. A Negative ROE suggests that McDonald's has negative shareholders' equity, meaning its liabilities exceed its assets. This is not generally favorable as it implies financial instability.

2023

Net Income: \$8,469

Shareholder's Equity: -\$4,707

ROE: -179.93%

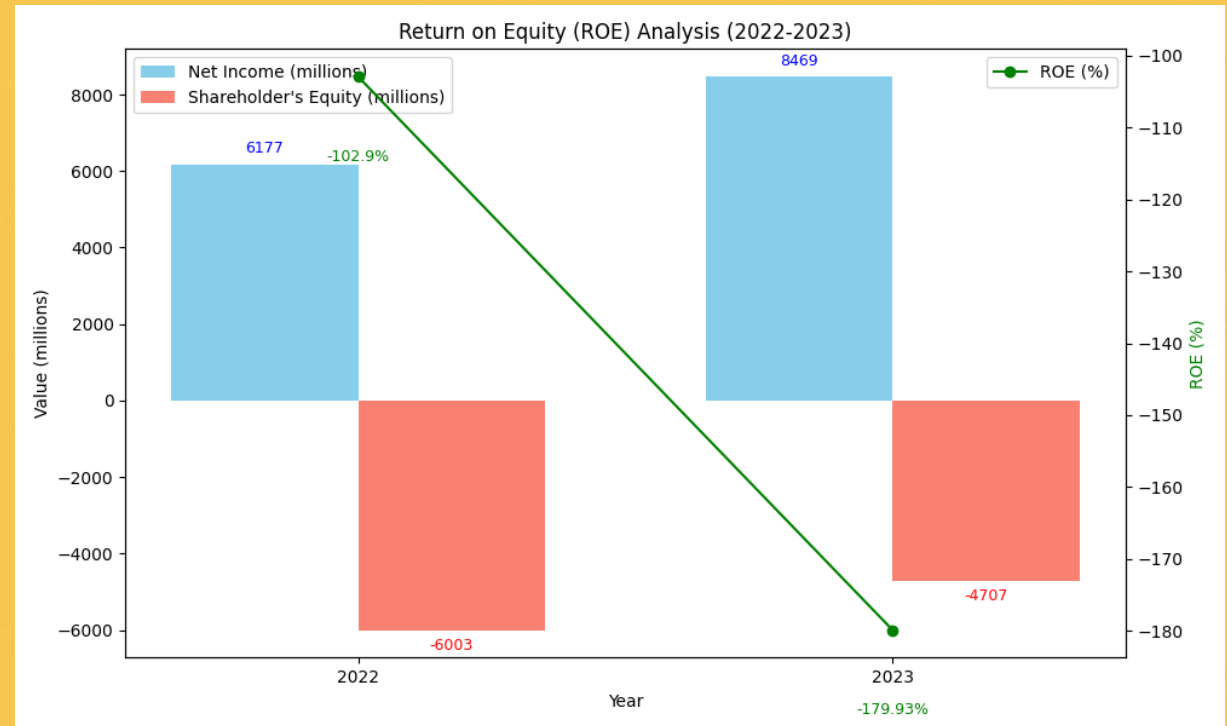
2022

Net Income: \$6,177

Shareholder's Equity: -\$6,003

ROE: -102.90%

ROE = Net Income / Shareholders' Equity



Financial Ratios & Trend Analysis

Earnings Per Share (EPS)

Gauges a company's profitability on a per-share basis. The increasing EPS is a positive sign. It indicates that the company is generating higher earnings per share, which is favorable for investors.

2023

Net Income: \$8,469

Average Outstanding Shares: 732

EPS: \$11.56

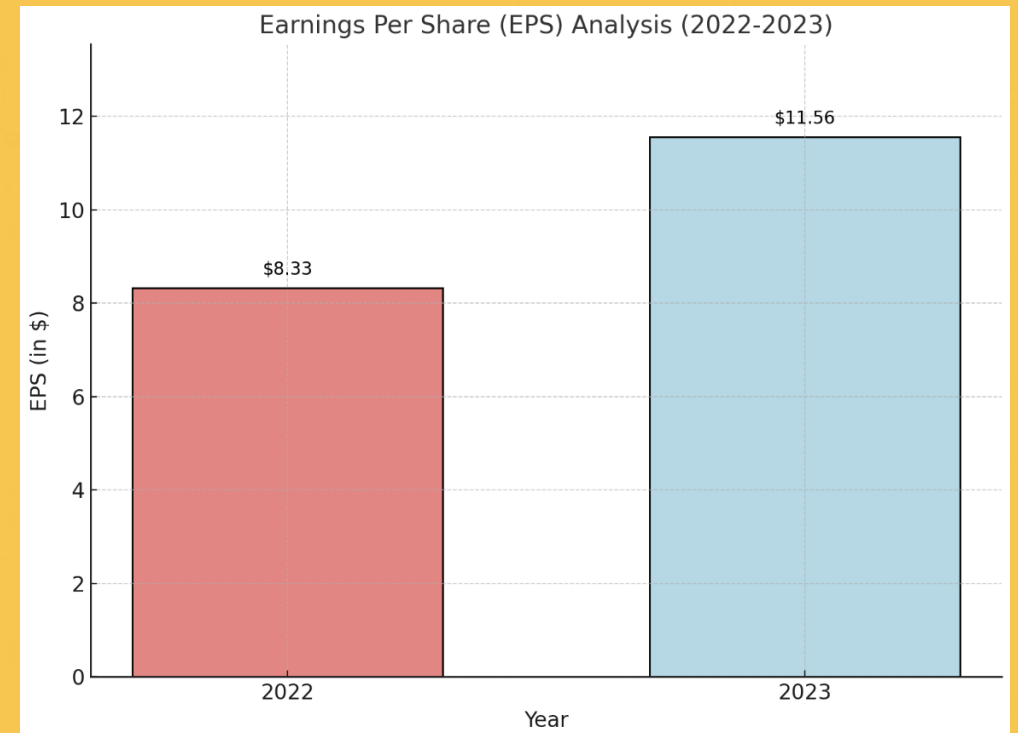
2022

Net Income: \$6,177

Average Outstanding Shares: 741

EPS: \$8.33

$$\text{EPS} = (\text{Net Income} - \text{Preferred Dividends}) / \text{Average Outstanding Shares}$$



Financial Ratios & Trend Analysis

Total Asset Turnover Ratio

Measures how efficiently a company uses its assets to generate sales. While the ratio of 0.44 for 2023 is better than the 2022, it still reflects inefficiency and suggests that McDonald's is not efficiently utilizing its assets to generate sales.

2023

Net sales: \$25,494

Total assets: \$56,147

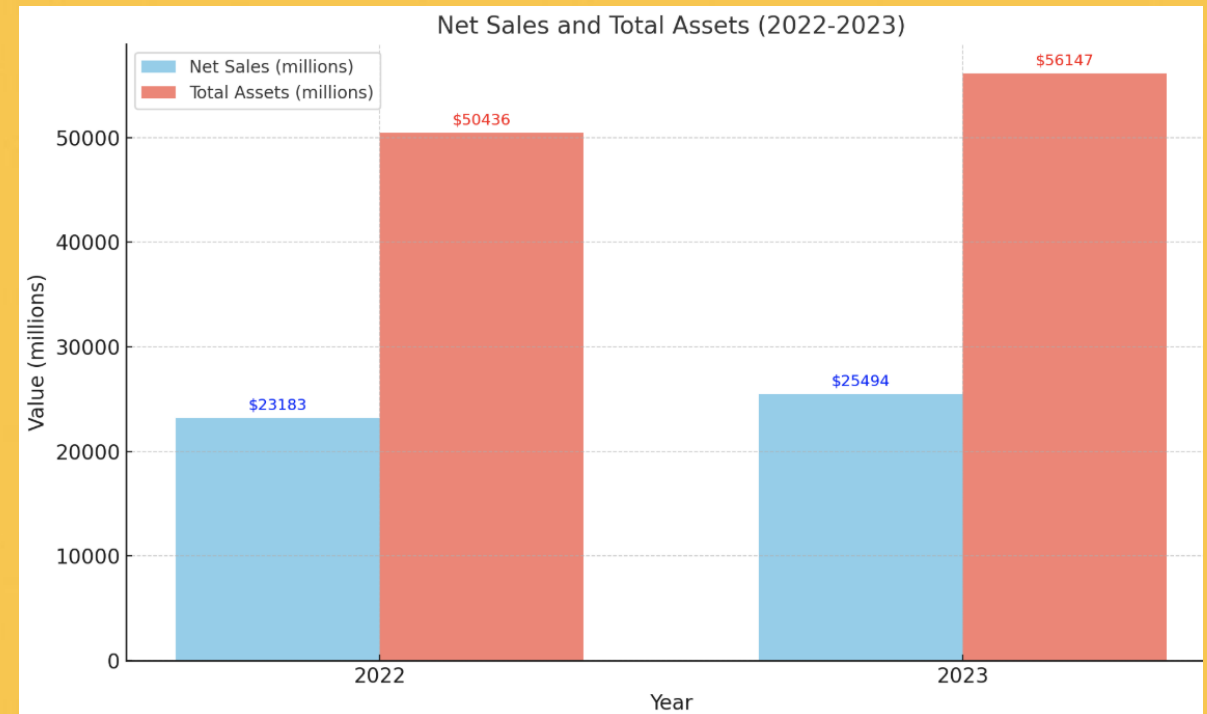
2022

Net sales: \$23,183

Total assets: \$50,436

Average total Assets: \$53,291

Total Asset turnover ratio = Net sales/Average total assets



Financial Ratios & Trend Analysis

Current Ratio

Assess company's ability to meet its short-term obligations using its short-term assets. The current ratio above 1 indicates that McDonald's can cover its short-term liabilities with its short-term assets. However, the ratio has decreased from 2022, indicating a slight decline in liquidity.

2023

Current assets: \$7,986

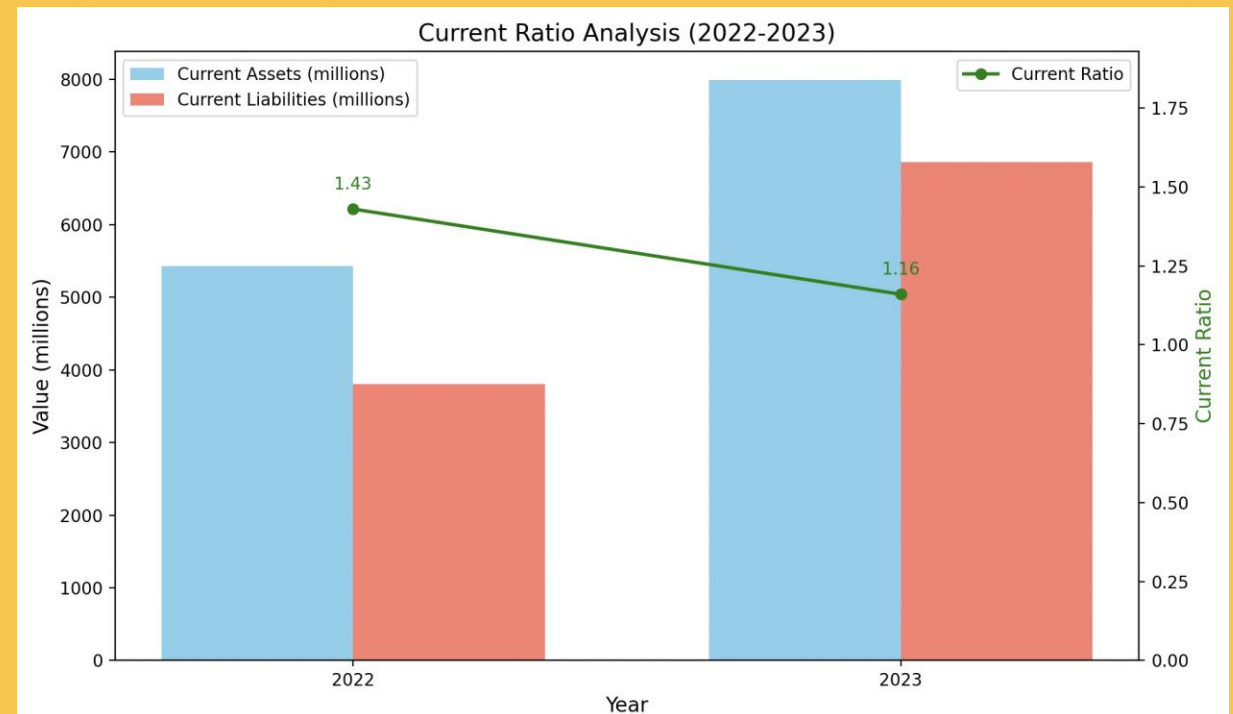
Current liabilities: \$6,859

2022

Current assets: \$5,424

Current liabilities: \$3,802

Current Ratio = Current Assets / Current Liabilities



Financial Ratios & Trend Analysis

Debt to Equity Ratio

Measures a company's financial leverage and risk. The negative ratio highlights significant leverage and financial instability. The high debt levels relative to negative equity are concerning and increase financial risk.

2023

Total Debt: \$54,864

Total Equity: -\$4,707

Debt to Equity Ratio: -11.66

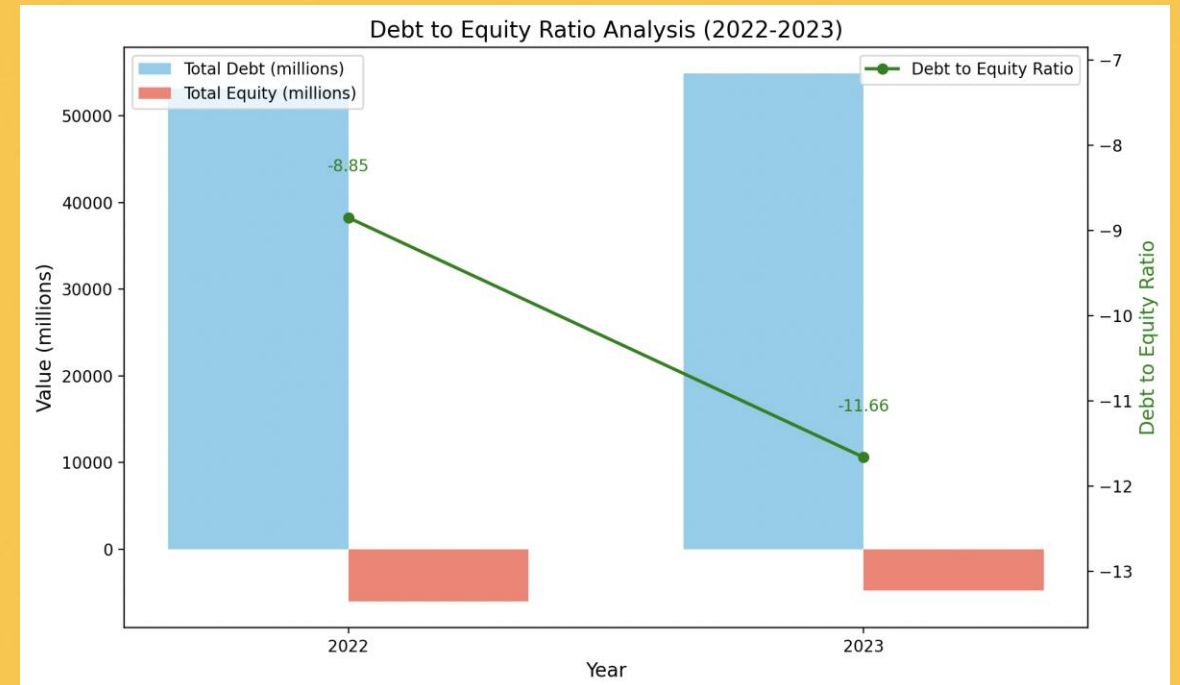
2022

Total Debt: \$53,109

Total Equity: -\$6,003

Debt to Equity Ratio: -8.85

Debt to Equity Ratio = Total Debt / Total Equity



Financial Ratios & Trend Analysis

P/E Ratio

Evaluates company's valuation and market performance. Indicates how much investors are willing to pay per dollar of earnings. A P/E ratio above 20 suggests that the stock might be overvalued. However, it has decreased from 2022, which could indicate better valuation or growth potential.

2023

Current Stock Price: \$291.35

EPS: \$11.56

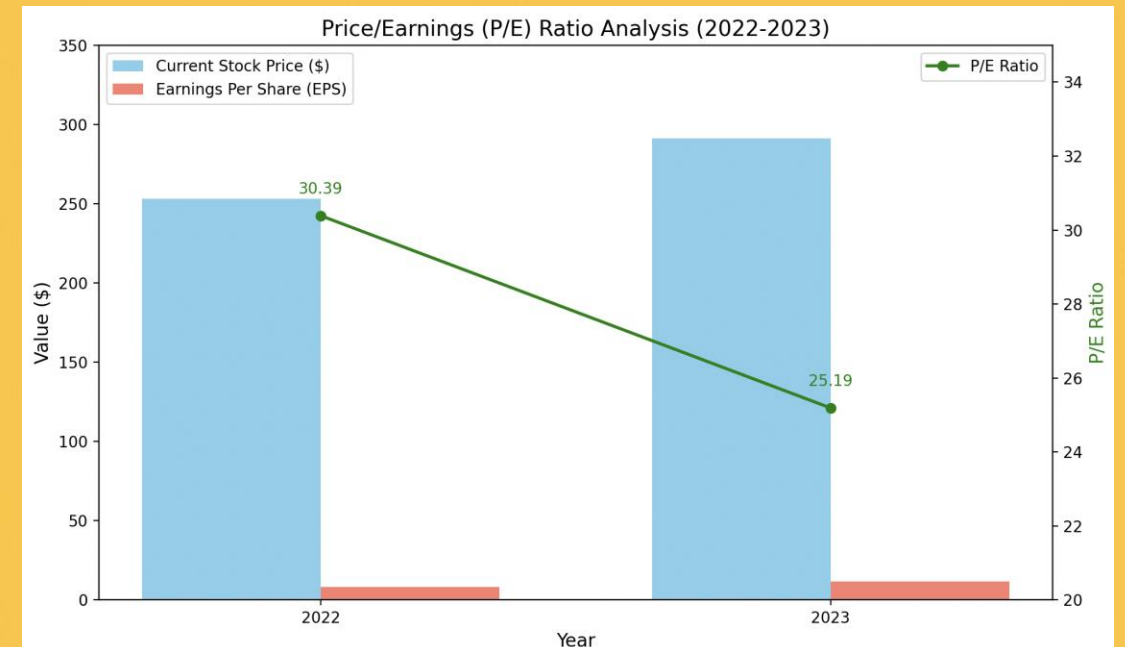
P/E Ratio: 25.19

2022

Current Stock Price: \$253.24

EPS: \$8.33

P/E Ratio: 30.39



P/E Ratio = Current Stock Price / Earnings Per Share (EPS)

Company Overview

Horizontal Analysis of Balance Sheet

Horizontal Analysis of Income Statement

Vertical Analysis of Balance Sheet

Vertical Analysis of Income Statement

Financial Ratios and Trend Analysis



Management Discussion & Analysis (MD&A)

Conclusion and Recommendation



Management Discussion & Analysis (MD&A)

Financial Overview

MD&A 2023 annual report of **McDonald's** offers insights into the company's financial performance, strategic initiatives, and future outlook. key takeaways are:

Revenue

Revenue in 2023 reached \$25.49 billion, representing a 9.96% year-over-year growth, a significant increase from 2022's \$23.18 billion. This growth is driven by strong global sales, indicating positive consumer demand and brand strength.

Profitability

Earnings Per Share (EPS) in 2023 reached \$11.56, reflecting a 38.76% of improved profitability on a per-share basis, a huge increase from 2022's \$8.33. This suggests a strong financial performance. better operational efficiency, revenue growth, cost management.

Management Discussion & Analysis (MD&A)

Strategic Initiatives

Affordability and Innovation

In 2023, McDonald's introduced new menu items focusing on innovation and affordability, addressing inflationary pressures and shifts in consumer demand. These strategies ensured that the company remained competitive and accessible to a wide range of customers.

Menu and Digital Innovations

McDonald's continued to innovate its menu with new items like the McCrispy Chicken Sandwich and the Best Burger, enhancing customer satisfaction and dining experience. The company also expanded its loyalty program and digital ordering capabilities, ensuring seamless and personalized interactions.

Global Expansion

The company continued its global expansion by opening new restaurants and optimizing its franchise model to maintain consistent brand standards. McDonald's showcased strong operational efficiency despite facing economic headwinds, including challenges in international markets.

Digital Transformation

Investing heavily in digital platforms, McDonald's enhanced the customer experience through mobile ordering, loyalty programs, and delivery services. These efforts streamlined operations and catered to the growing demand for convenience.

Company Overview

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Financial Ratios and Trend Analysis

Management Discussion & Analysis (MD&A)



Conclusion and Recommendation



Conclusion and Recommendation

Conclusion

Positives:

- Increasing EPS, indicating profitability.
- Reasonable P/E ratio

Negatives:

- Negative ROE and Debt to Equity ratio indicating financial instability.
- Decreasing current ratio.

Recommendation

Moderate-Buy

If you are a risk-tolerant investor with confidence in McDonald's strategic growth initiatives, you might consider buying the stock.

Otherwise, you might want to wait until the financial metrics, particularly the debt and equity situation, improve.

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Thank you

Krishna Damarla, 26-Jan-2025