



Dear Shareholders, the Global McFamily and our Customers,

At McDonald's, we are privileged to be active participants in the local communities where we live, work and serve. That means we reflect the values and understand the needs of the customers and people we strive to put first every day. This was especially prudent as we navigated the COVID-19 pandemic and societal challenges within this past year. Through it all, and with the strength of our McFamily and a values-led mindset, we did the right thing from the start. We prioritized the safety of restaurant crew and customers; we took important steps to preserve our financial flexibility; we leveraged the power of our supply chain; and we stood by and supported our local communities.

I believe firmly that our Brand will be defined by how we respond to such challenges, both as the world's largest restaurant company—and as good neighbors. At the onset of the pandemic, I laid out five principles that McDonald's used to guide our approach to this historic challenge:

“We're all in this together”

“Think and act with a long-term mindset”

**“Be transparent with each other
and our stakeholders”**

“Lead by example”

“Stay true to our purpose”

Supported by these principles and energized by the incredible courage and effort from people across our three-legged stool, McDonald's delivered a resilient performance in what was the most difficult year in our history.

Emerging from 2020 in a **position of strength**

While conditions were challenging in most markets, we still achieved nearly \$20 billion in full year revenue and over \$90 billion in full year Systemwide sales. We were well-positioned to effectively navigate such challenging circumstances because of our operating model, our focus on running great restaurants and our many competitive strengths, including our formidable Drive Thru presence. We also were well-positioned due to the significant investments we've made in recent years to develop our digital and delivery capabilities, which proved to be a boon throughout the pandemic.

The US delivered its sixth consecutive year of positive comparable sales, and average US franchisee restaurant operating cash flow reached an all-time high in 2020, after a previous all-time high in 2019. Elsewhere, Japan and Australia posted five and seven consecutive years of positive comparable sales growth, respectively. Markets that had to significantly reduce operations or face closures due to government restrictions did so with remarkable agility and care. Their ability to respond quickly to the external environment was a further demonstration of our System's unmatched execution prowess.

While 2020 was a historically demanding year, it has helped McDonald's to do everything better.

We engaged Mayo Clinic to provide ongoing expertise on emerging science in COVID-19 infection prevention, and we devised new ways to safely and reliably serve our customers. This, in turn, allowed us to continue gaining market share in most major markets. We also improved on our already unrivaled Drive Thru capabilities and continued to see the enormous benefits of contactless delivery, take-away, and curbside pick-up. Meanwhile, more customers used our app than ever before, as digital sales reached nearly 20 percent of Systemwide sales across our top six markets.

At the outset of the pandemic, we committed to helping every operator and partner survive the crisis. We took prudent,

quick action designed to prevent not a single Owner/Operator from failing due to the pandemic. We offered franchisees nearly \$1 billion in short-term financial liquidity support through rent and royalty deferrals, along with timely, targeted, and temporary assistance to individual franchisees in the most precarious situations. Thanks to our quick decision-making and our robust balance sheet, the financial health of the McDonald's System remains strong.

Just as important, we addressed our short-term challenges without sacrificing our long-term priorities. We continued to invest in our Brand, including an incremental \$200 million in marketing support to widen our market share gains and accelerate our recovery. We also opened nearly 1,000 new restaurants globally, modernized another 900 restaurants in the US, and together with our franchisees, we invested more than \$1 billion in technology and digital initiatives.

I said several times through the year that we were confident McDonald's would be just as strong coming out of the pandemic as we were going into it, and we are proving that in so many ways.

A new, holistic growth strategy to reflect the changing environment

Motivated by our resilience in the face of unprecedented challenges, we began writing the next chapter for McDonald's as we shared our new growth strategy, Accelerating the Arches. Alongside bold business objectives, the strategy articulates a clear vision of where and how we intend to make a difference in the world, reflecting the changing expectations that today's customers have of modern corporations like McDonald's.

We already knew customer habits and expectations were changing going into 2020. The pandemic accelerated some of those changes and brought other powerful truths into focus.

First, our customers' needs are different than they were prior to the pandemic, so the experience we offer must adapt. A world with less dine-in and more takeout plays to our significant advantage in Drive Thru and our growing capabilities in delivery and curbside pick-up. More lunch and dinner visits are well-suited to our core menu, with iconic favorites that people love. Greater dependence on technology bodes well for McDonald's fast-growing digital experience and our inherent scale advantages.

This understanding was essential as we identified three new growth pillars to deliver our next phase of sustainable growth under Accelerating the Arches. **They are easy to remember... just think M-C-D:**

M - Maximize our Marketing

McDonald's is one of the world's most recognized brands, and we invest about \$4 billion per year in marketing. Working with our agency partners, we will raise our creative ambition and capitalize on evolving digital behaviors to deepen the connection with our customers to drive growth.

C - Commit to the Core

McDonald's menu is known around the globe, and customers love favorites like the Big Mac®, Chicken McNuggets®, and of course, our World Famous Fries®. During the pandemic, we focused on these classics and were reminded not only of customers' enduring passion for these products, but also the significant growth opportunities that still exist within our core menu.

D - Double Down on the Three Ds

Digital, Delivery and Drive Thru. Customers have always loved McDonald's for its convenience, and new technologies offer us the opportunity to make the McDonald's experience even faster and easier. We will innovate in these service channels to unlock even more growth.

It is especially encouraging to see the power of the three pillars coming together already. The launch of Famous Orders in the US, for example, brought together the strength of our marketing, the popularity of our core menu items and enormous digital engagement to drive significant sales in the third and fourth quarters of 2020. The success of this initiative was just a glimpse of what is possible and we are excited for what is to come.

Leading with our purpose and refreshing our values to guide our strategy

The second truth is that people expect more from corporations today and are seeking brands that reflect their own values. Customers want to see that the McDonald's they visit locally matches how we act globally. They want and expect us to be a force for good everywhere.

The strength of McDonald's business entering 2020 and our resilience through the pandemic allowed us to broaden our perspective to make Accelerating the Arches a strategy focused on more than just business performance. It is rooted in our belief that our next chapter of growth depends not just on what we do, but how we do it in more than 39,000 local restaurants around the world.

Meeting the needs of our customers and communities requires us to embrace a bigger, more holistic vision. Just as our timeless commitment to Quality, Service, Cleanliness, and Value has been refined over the years to make them relevant for each era, the language we use to express our purpose, mission, and values must be reinvigorated to ensure it is responsive to today's

environment. That’s especially true in an era when customers and communities expect more of us. That is why one of our priorities over the past year was to ensure our purpose, mission, and values reflect the role we play in society today—while embracing the vital place these timeless ideals and principles occupy as an essential part of this special Brand we all love.

In speaking to franchisees, customers and crew around the world, it became clear that McDonald’s purpose is to feed and foster communities. It also became clear in those conversations that our ability to deliver on our purpose is rooted in a refreshed set of core values:

-  **Serve**
We put our customers and people first
-  **Inclusion**
We open our doors to everyone
-  **Integrity**
We do the right thing
-  **Community**
We are good neighbors
-  **Family**
We get better together

Ray Kroc used to talk constantly about our values. He knew that in a System where every restaurant is unique and locally owned, our values would be the light that guides us through every decision. These refreshed values are a foundational component of Accelerating the Arches and will guide us in achieving our business objectives while providing a common compass for how we serve our communities, and one another.

With its holistic view of what McDonald’s seeks to accomplish as an organization, Accelerating the Arches will strengthen our advantages and deliver value—not only to our business, but to our communities, customers, franchisees, crew, employees, farmers and suppliers.

Looking forward to another year of progress

We are a stronger Brand for the challenges we faced together in 2020. Our business performance and the trust we fostered throughout our communities reinforced our confidence in McDonald’s long-term success. As a result, we were pleased to continue the company’s more than 40-year tradition of annual dividend increases.

While 2020 was a year beset with obstacles, it was also a year of progress for McDonald’s, and it has emboldened us to build on the platform we created to write our next great chapter together. Supported by a bold new strategy and our enduring foundation of running great restaurants, McDonald’s will continue to strive to be a force for good in our communities while strengthening and widening the competitive advantages that help us make delicious feel-good moments easy for everyone.

Thank you to our shareholders for your continued investment in McDonald’s, to our customers for giving us the opportunity to serve you and your communities, and to the people in the McDonald’s System who make this business what it is and give us the spirit to succeed.

Be well.



Chris Kempczinski
President and CEO
McDonald’s Corporation