

# **McDonald's Corporation**

Investor Overview



# Important Disclaimers

This presentation contains financial measures that are not calculated in accordance with generally accepted accounting principles in the United States ("GAAP"), including Systemwide sales, free cash flow conversion and adjusted operating margin. Systemwide sales include sales at all restaurants, whether operated by us or by franchisees. Free cash flow conversion is free cash flow (cash provided by operations, less capital expenditures) divided by net income. Adjusted operating margin is defined as non-GAAP operating income (operating income adjusted for certain special gains and charges) divided by total revenues. More information about these non-GAAP financial measures, including why management believes they provide useful information to investors, can be found in our filings with the Securities and Exchange Commission (the "SEC"). See the Appendix to this presentation for reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP.

2023 Outlook has been excerpted from our Quarterly Report on Form 10-Q filed with the SEC on November 2, 2023 (the "Report"). 2023 Outlook comprises forward-looking statements that reflect current expectations, are not guarantees of performance and speak only as of the date of the Report. You should not unduly rely on forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include those reflected under "Risk Factors" in the Report and elsewhere in our filings with the SEC.

Website links included in this presentation are for convenience only. Information contained on or accessible through such website links is not incorporated in, and does not constitute a part of, this presentation.

# McDonald's strategic evolution...

1950s



**Kroc meets brothers Dick and Mac McDonald** at their restaurant in San Bernardino

**Kroc becomes the national franchising agent** for the McDonald brothers

**Kroc forms McDonald's System, Inc.** to issue McDonald's franchises under license from the McDonald brothers

**100 millionth hamburger sold** by McDonald's

1960s, 1970s & 1980s



**McDonald's Corporation buys the exclusive rights** to the McDonald's name and operating system from the McDonald brothers

**First location outside the U.S.** opens

**McDonald's expands globally** to Tokyo, Amsterdam, Munich, and Sydney

**The Big Mac, Egg McMuffin, Happy Meal, and Chicken McNuggets** are invented and launched

**The first drive thru** opens

# ...continues to meet customer needs over time

1990s & 2000s



**The McFlurry** is invented and launched in Canada  
**Accelerated unit growth** with continued international expansion  
**Plan to Win** corporate strategy to focus on exceptional customer experience  
**Dollar Menu** value offerings  
**i'm lovin' it** marketing campaign launches  
**McCafé** is invented and launched in Australia

2010s & 2020+



**Turnaround plan announcement** (re-franchising, cost savings)  
**Velocity Growth Plan** corporate strategy to focus on Digital, Delivery, and U.S. Experience Of The Future  
**Accelerating the Arches** corporate strategy to focus on Brand and M-C-D growth pillars: Marketing, Core, Digital, Delivery, Drive Thru and Development  
**Loyalty Program** launches and rapidly expands to +50 markets around the globe



# McDonald's Senior Leadership Team



**Chris Kempczinski**  
President and Chief Executive Officer  
7 Years at McDonald's



**Skye Anderson**  
President,  
Global Business Services  
23 Years at McDonald's



**Jon Banner**  
Executive Vice President,  
Global Chief Impact Officer  
~1 Year at McDonald's



**Ian Borden**  
Executive Vice President,  
Global Chief Financial Officer  
28 Years at McDonald's



**Heidi Capozzi**  
Executive Vice President,  
Global Chief People Officer  
3 Years at McDonald's



**Joe Erlinger**  
President,  
McDonald's USA  
21 Years at McDonald's



**Morgan Flatley**  
Executive Vice President,  
Global Chief Marketing Officer  
and New Business Ventures  
6 Years at McDonald's



**Marion Gross**  
Executive Vice President,  
Global Chief Supply Chain Officer  
30 Years at McDonald's



**Jill McDonald**  
President, IOM  
10 Years at McDonald's



**Mark Ostermann**  
Vice President, Chief of Staff,  
Office of the CEO  
10 Years at McDonald's



**Desiree Ralls-Morrison**  
Executive Vice President,  
Global Chief Legal Officer  
2 Years at McDonald's



**Brian Rice**  
Executive Vice President,  
Global Chief Information Officer  
~1 Year at McDonald's



**Jo Sempels**  
President, IDL  
30 Years at McDonald's



**Manu Steijaert**  
Executive Vice President  
Global Chief Customer Officer  
21 Years at McDonald's

# McDonald's Board of Directors Roster and Committees



**Enrique Hernandez, Jr.**

**Independent Chairman**  
Executive Chairman,  
Inter-Con Security Systems  
Governance, Public Policy & Strategy, Executive  
Director Since: 1996



**Anthony Capuano**

CEO,  
Marriott International, Inc.  
Compensation, Public Policy & Strategy  
Director Since: 2022



**Kareem Daniel**

Former Chairman,  
Disney Media and Entertainment Distribution  
Compensation, Sustainability & Corporate Responsibility  
Director Since: 2022



**Lloyd Dean**

Chief Executive Emeritus and Founding Executive,  
CommonSpirit Health  
Compensation, Governance  
Director Since: 2015



**Catherine Engelbert**

Commissioner,  
Women's National Basketball Association  
Audit & Finance\*, Sustainability & Corporate Responsibility,  
Executive  
Director Since: 2019



**Margaret Georgiadis**

Co-Founder and CEO,  
Montai Health  
Audit & Finance, Sustainability & Corporate Responsibility  
Director Since: 2015



**Chris Kempczinski**

President and CEO,  
McDonald's Corporation  
Executive\*  
Director Since: 2019



**John Mulligan**

EVP and COO,  
Target Corporation  
Public Policy & Strategy\*, Audit & Finance, Executive  
Director Since: 2015



**Jennifer Taubert**

EVP and Worldwide Chairman - Pharmaceuticals,  
Johnson & Johnson  
Compensation, Public Policy & Strategy  
Director Since: 2022



**Paul Walsh**

Executive Chairman,  
McLaren Group Limited  
Sustainability & Corporate Responsibility\*,  
Governance, Executive  
Director Since: 2019



**Amy Weaver**

President and CFO,  
Salesforce, Inc.  
Audit & Finance, Governance  
Director Since: 2022



**Miles White**

Former Executive Chairman and CEO,  
Abbott Laboratories  
Governance\*, Public Policy & Strategy, Executive  
Director Since: 2009

As of 11/01/2023

\* Chair of committee

For more information on McDonald's Board of Directors, see the [Board of Directors](#) page of the McDonald's website

# McDonald's

The World's Largest Restaurant Company



**40K+**

**Restaurants**



**2.2M**

**People**

Working for McDonald's  
or Franchisees



**100+**

**Countries**



**65M+**

**Customers**

Served every day





# The McDonald's System

The three-legged stool of McDonald's franchisees, suppliers, and employees

## Franchisees



**95% of McDonald's restaurants are locally owned** and operated, providing the entrepreneurial spirit of local business owners

## Suppliers



Many recognize McDonald's as having the **most integrated, efficient and innovative supply system** in the food service industry

## Employees



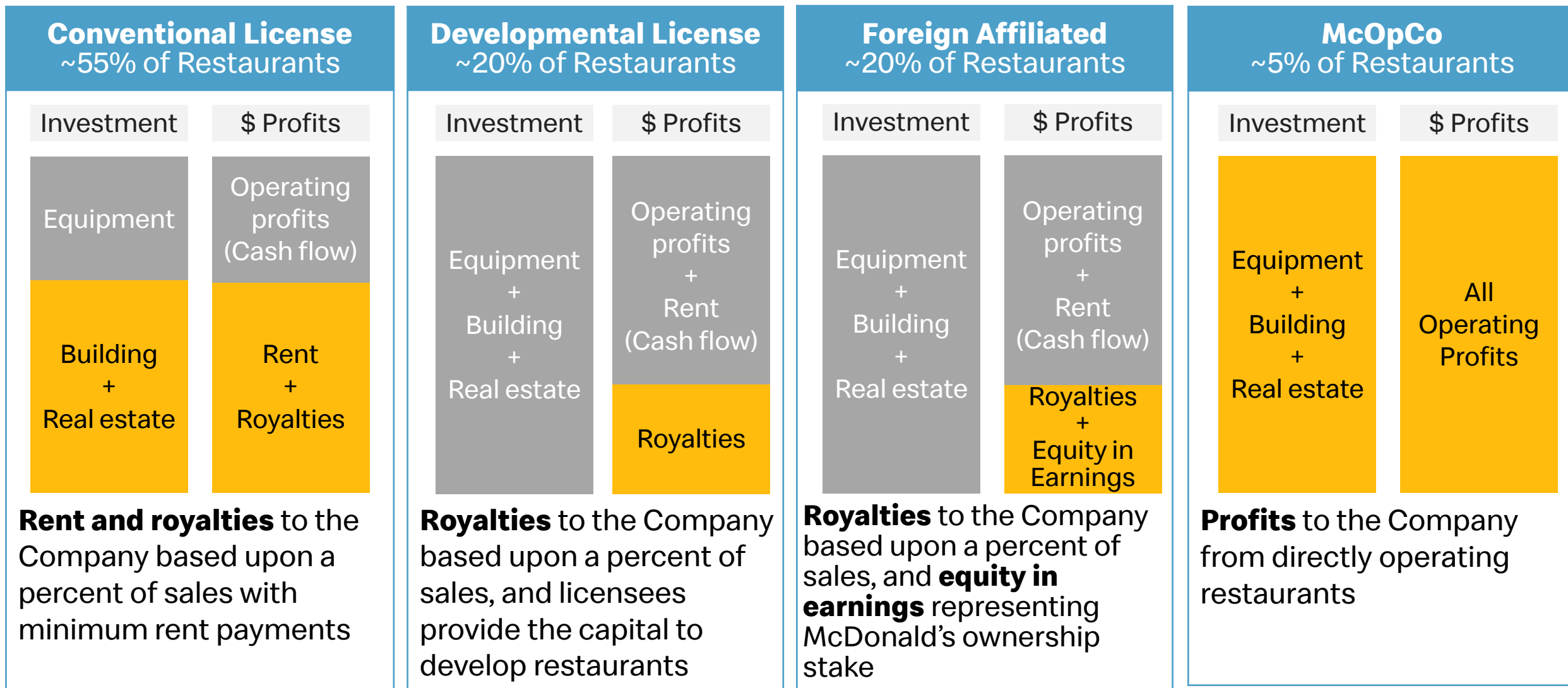
**1 in 8 Americans have worked at a McDonald's restaurant** learning skills that can go wherever they go

The balance of interests among the three groups is essential to McDonald's success



# McDonald's Business Model

Revenues from rent, royalties and initial fees and profits from directly operating restaurants



# McDonald's Global Business Operates Under 3 Segments

U.S., Intl Operated Markets, and Intl Developmental Licensed Markets & Corporate

## U.S. Market



**McDonald's largest market** in terms of Systemwide sales

## International Operated Markets (IOM)



**+20 markets** or countries including Australia, Canada, France, Germany and the U.K.

## International Developmental Licensees & Corporate (IDL)



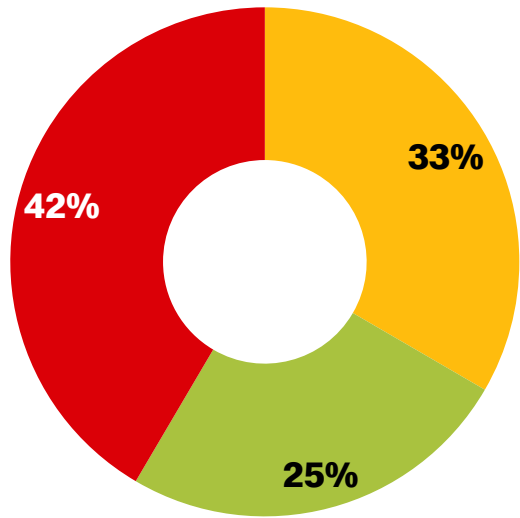
**+75 markets** or countries including Brazil, China and Japan

As of 12/31/2022

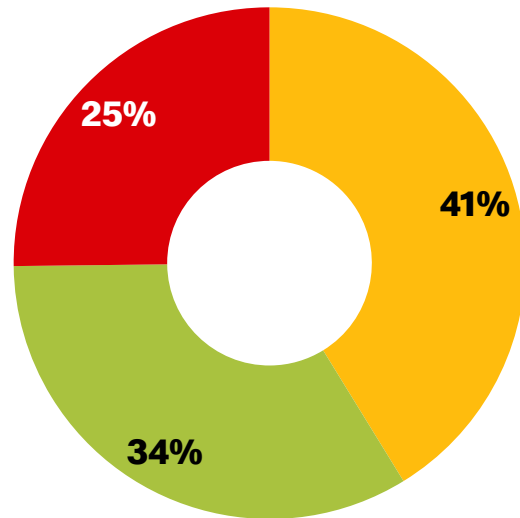
For a complete list of markets and store counts, see the Supplemental Information on the [Financial Information](#) page of the McDonald's Investor Relations website

# McDonald's Segment Breakdown

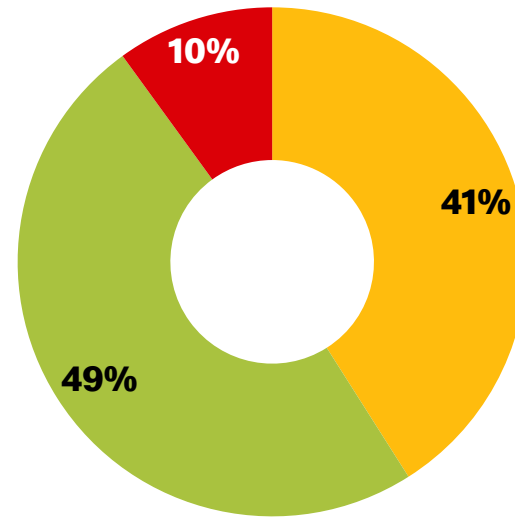
U.S. and IOM segments are +85% of FY'22 revenue and adj. operating income\*\*\*



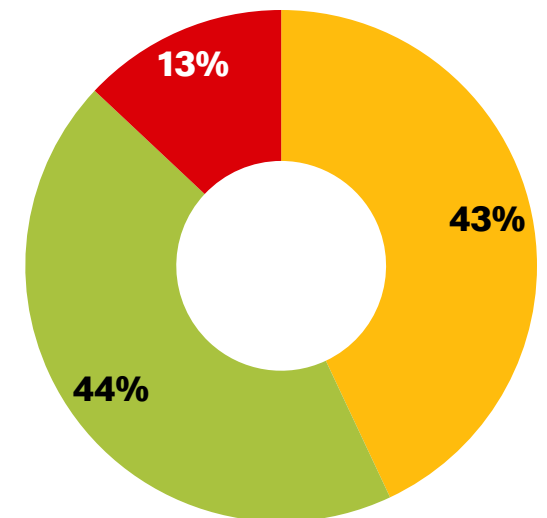
**Restaurants\***



**FY'22 Systemwide Sales\*\***



**FY'22 Revenues**



**FY'22 Adj. Operating Income\*\*\***



\* As of 12/31/2022

\*\* Systemwide sales is a non-GAAP financial measure; see "Important Disclaimers"

\*\*\* Excludes Corporate activities from IDL segment. Adjusted operating income is a non-GAAP financial measure; see "Important Disclaimers"

\*\*\* Operating income consists of approximately 40% U.S. Dollars and 60% International currencies, of which approximately 70% is in EUR, GBP, AUD, and CAD

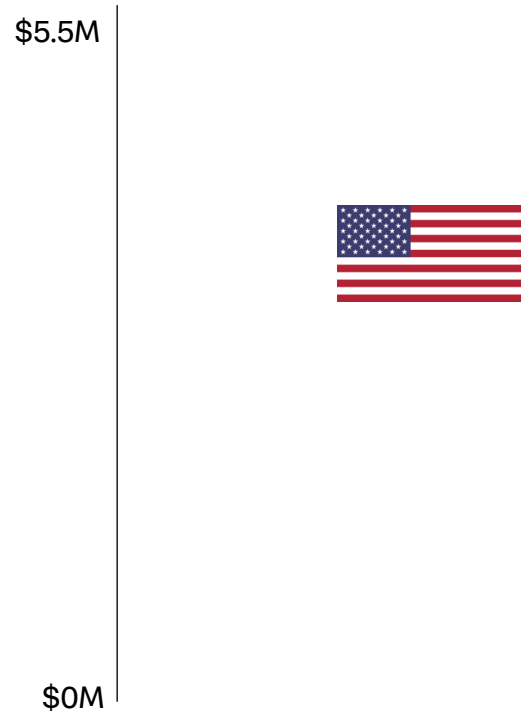


# U.S. Segment

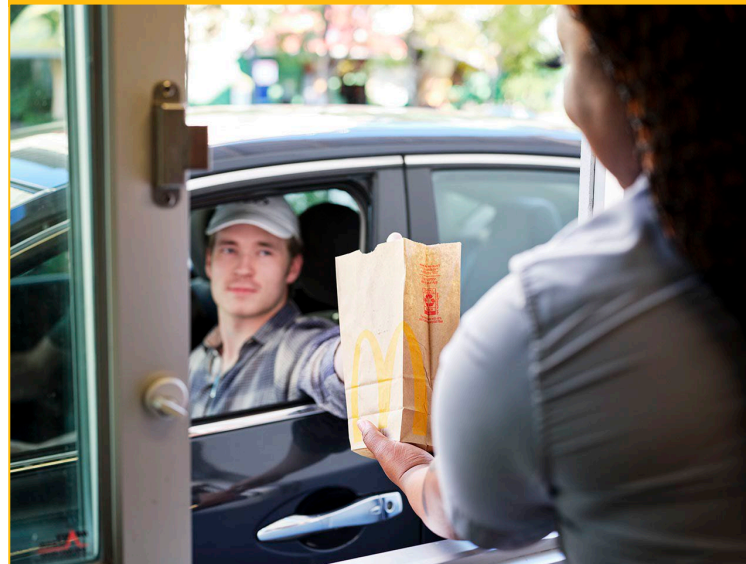
Unrivaled drive-thru presence and strong unit economics with a 95% franchised ownership mix\*

## Average Unit Volumes\*

(In millions U.S. \$)

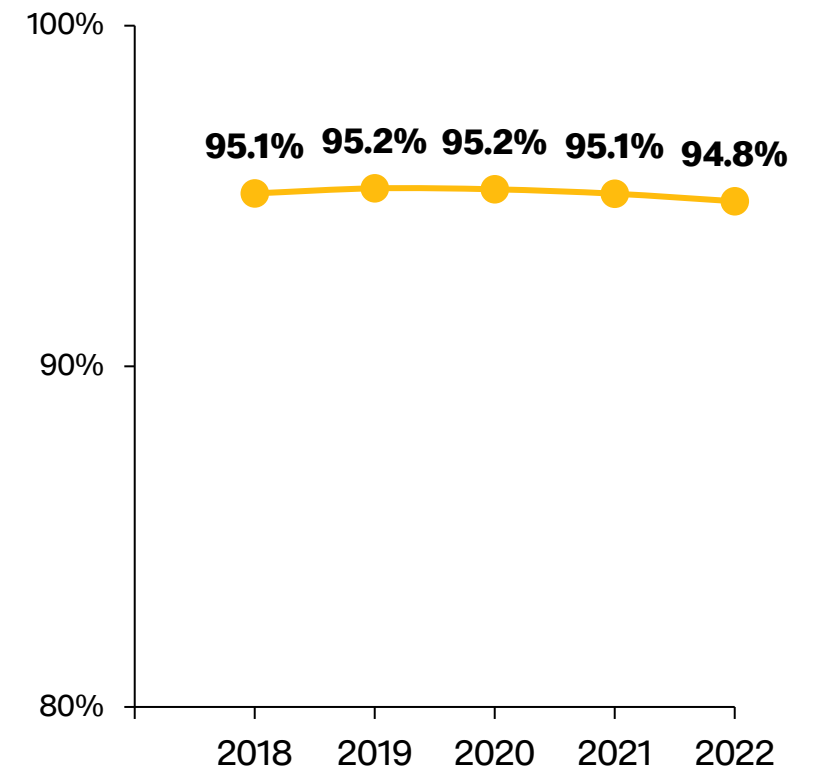


## % Drive Thru Restaurants\*



**95% of Restaurants**  
have a Drive Thru

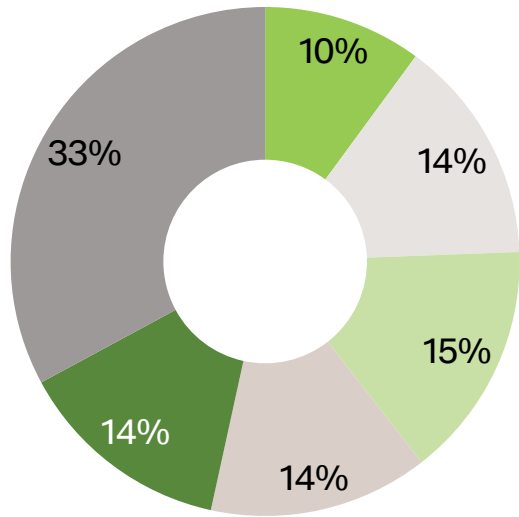
## % Franchised Restaurants



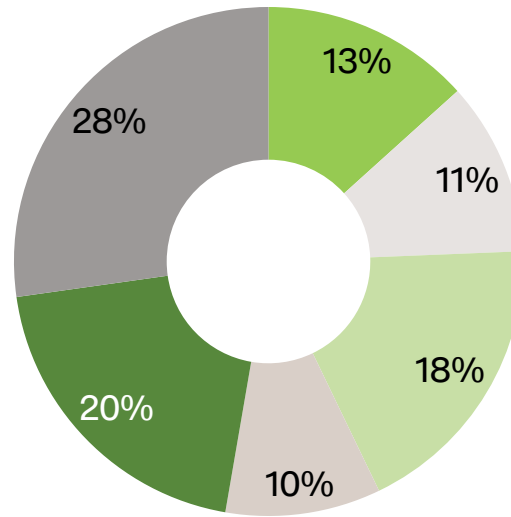
\* As of 12/31/2022

# IOM Segment\*

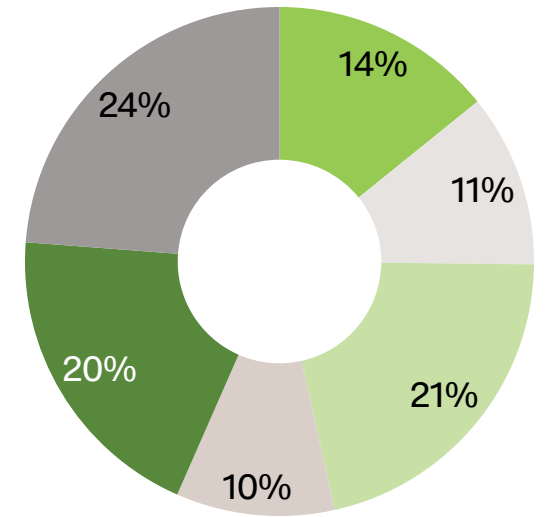
Powerful brand presence and largely reimaged asset base with an 89% franchised ownership mix\*\*



**Restaurants\*\***



**FY'22 Revenues**



**FY'22 Adj. Operating Income\*\*\***



\* Reflects the sale of the Company's business in Russia in the second quarter of 2022

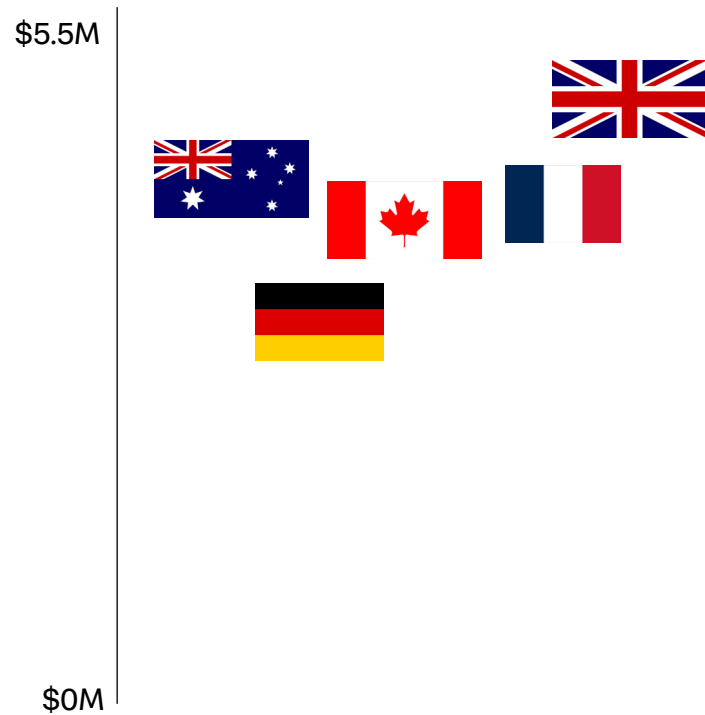
\*\* As of 12/31/2022

\*\*\* Adjusted operating income is a non-GAAP financial measure; see "Important Disclaimers"

# IOM Segment

High average unit volumes across markets

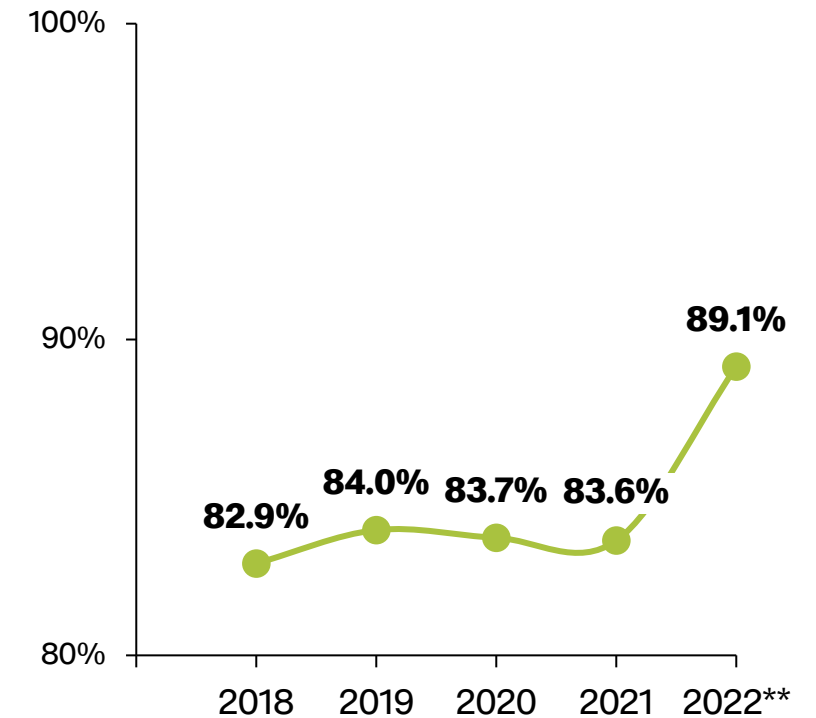
## Average Unit Volumes\* (In millions US \$)



## % Drive Thru Restaurants\*

<b>Australia</b>	85%
<b>Canada</b>	75%
<b>France</b>	80%
<b>Germany</b>	75%
<b>U.K.</b>	70%

## % Franchised Restaurants



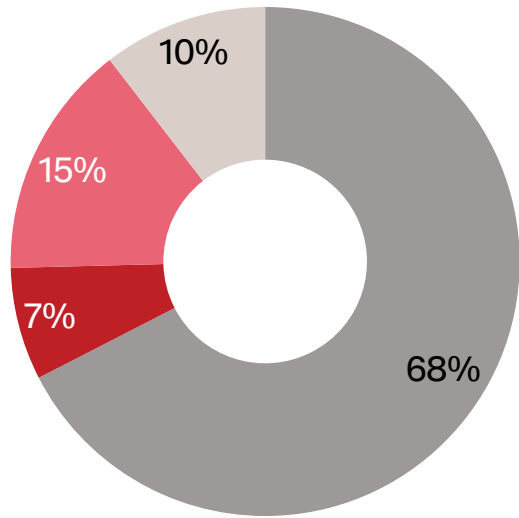
\* As of 12/31/2022

\*\* Reflects the sale of the Company's business in Russia in the second quarter of 2022 (84% of restaurants in Russia were Company-owned as of 12/31/2021)

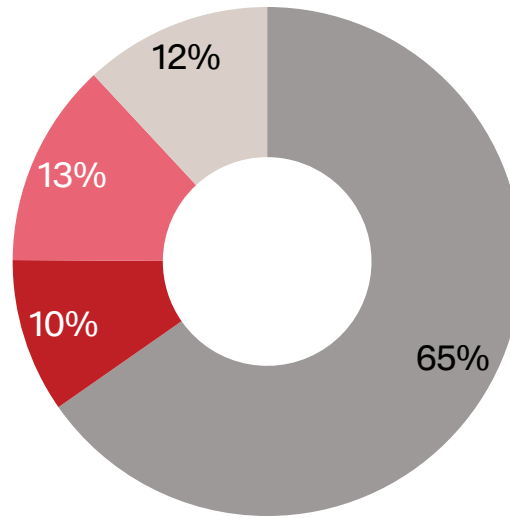


# IDL Segment

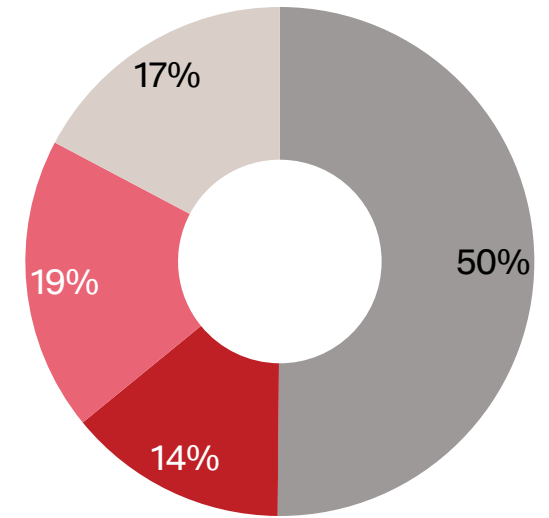
Geographically diverse segment comprised primarily of developmental licensees with a 98% franchised ownership mix\*



**Restaurants\***



**FY'22 Revenues**



**FY'22 Adj. Operating Income\*\***



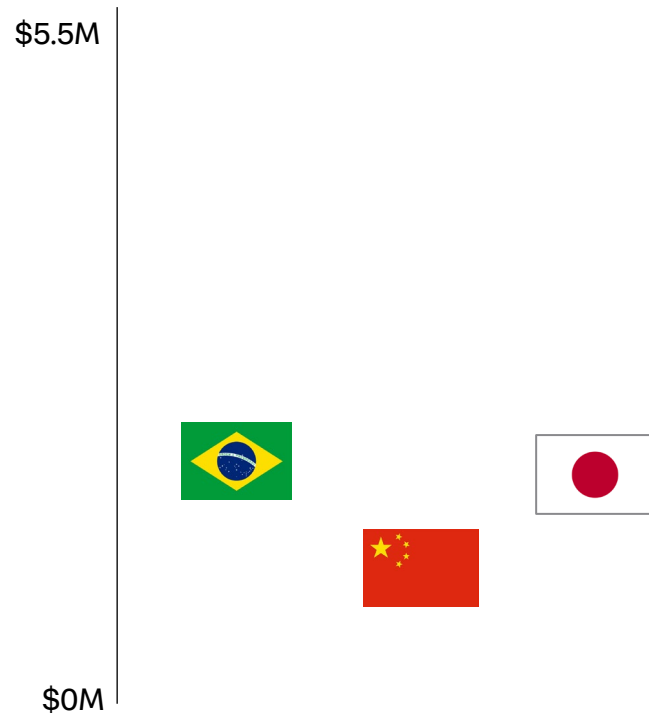
\* As of 12/31/2022

\*\* Excludes Corporate activities. Adjusted operating income is a non-GAAP financial measure; see "Important Disclaimers"

# IDL Segment

Highly franchised segment

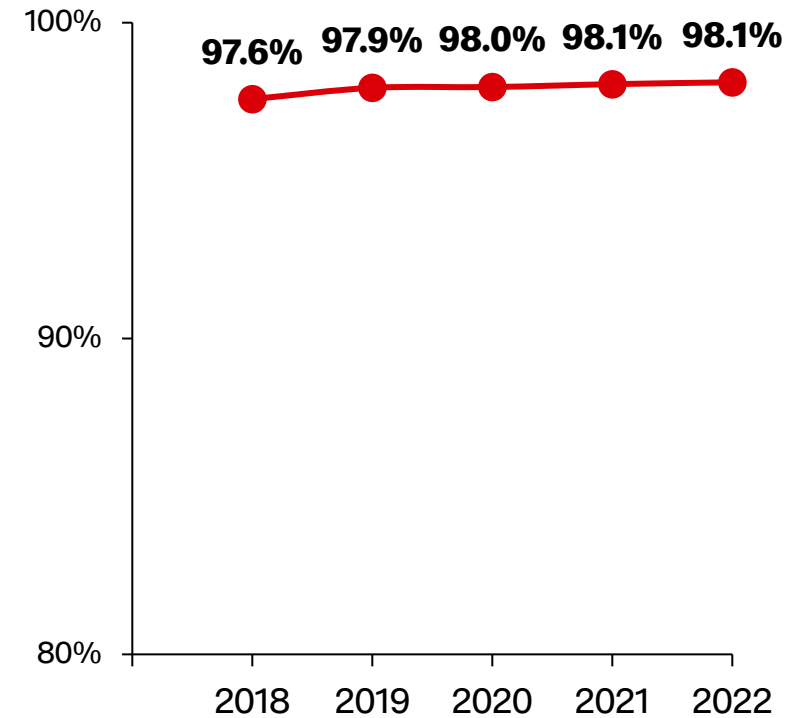
## Average Unit Volumes\* (In millions US \$)



## % Drive Thru Restaurants\*

<b>Brazil</b>	40%
<b>China</b>	15%
<b>Japan</b>	50%

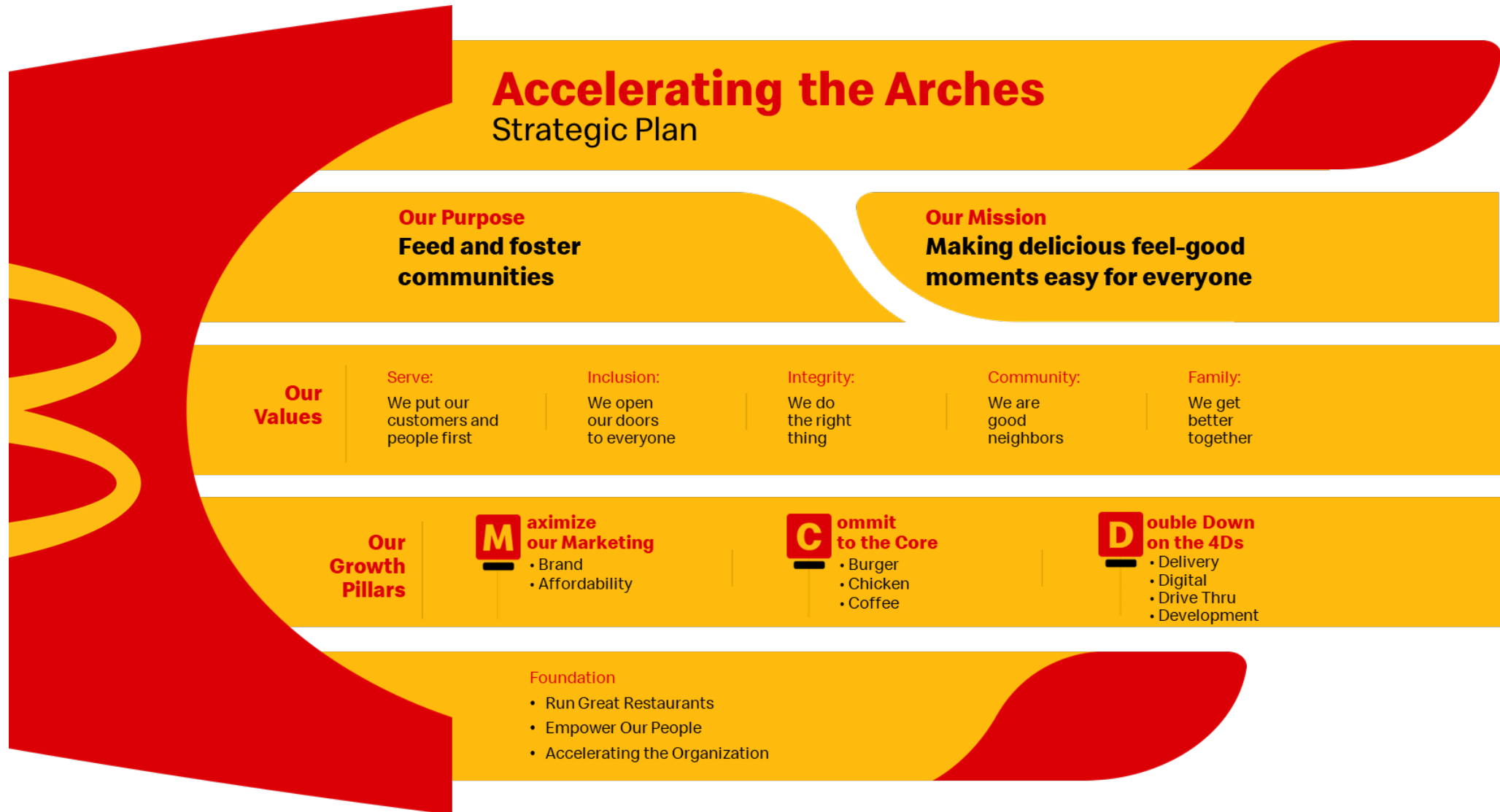
## % Franchised Restaurants



\* As of 12/31/2022

# Evolution of Accelerating the Arches Strategic Plan

Additions of Restaurant Development and Accelerating the Organization



For more information on McDonald's strategy, see the [Accelerating the Arches](#) page of the McDonald's website



# McDonald's Purpose

To feed and foster communities

## Serving & Sourcing Quality, Safe Food



Working toward **responsibly sourcing** priority commodities, prioritizing animal health and welfare and making safe, quality food accessible to families across the world

## Supporting Communities



Helping **feed and support people** when and where they need it most

## Empowering People



Serving up bright futures in communities, nurturing skills, **accelerating equity** and respecting human rights

## Protecting Our Planet



Helping to **drive climate action**, protecting natural resources, reducing waste and transitioning to more sustainable packaging and toys

# McDonald's Impact and Progress

McDonald's continued to have a positive impact on people and the planet

## Serving & Sourcing Quality, Safe Food

**Removed 100% of artificial flavors, added colors from artificial sources and artificial preservatives** where feasible from Happy Meal Offerings

**Reduced calories, sodium, saturated fats and added sugar in Happy Meal Bundle Offerings** (calories by 6%, sodium by 9%, saturated fat by 15% and added sugar by 26% on average)

**Served 5.7 billion items containing fruit, vegetable, low-fat dairy, whole grain, lean protein or water** via the Happy Meal

## Supporting Communities

**In total, McDonald's, McDonald's franchisees, and customers donated over \$182 million to RMHC in 2022**, helping the charity provide more than 2.2 million overnight stays for RMHC families around the world

In 2022, McDonald's held its first Global Volunteer Month, with **~8.5K employees volunteering across 120 events**, contributing a collective **~16.7K volunteer hours** to local community causes

## Empowering People

**25% of our U.S. systemwide spend- about \$4.4 billion – continued to be with diverse-owned suppliers** as of the end of 2022

By the end of 2022, Archways to Opportunity had increased access to education for more than **82,500 people** since 2015. Through it, we have **awarded more than \$185 million in high school and college tuition assistance**

In 2022, we **engaged with 5,162 supplier facilities globally** – including 537 new ones – to assess various human rights considerations

## Protecting Our Planet

**+99% of primary commodities, in aggregate, continued to be sourced supporting deforestation-free supply chains**, including beef, soy, palm oil, coffee, and fiber

**97.2% of primary fiber-based guest packaging materials** globally were from recycled or certified sources in 2022

We made progress to reduce plastics in our Happy Meal toys. As of the end of 2022, we have **reduced virgin fossil-fuel based plastic in Happy Meal toys by 47.8%** globally since 2018, up from 24.4% as of the end of 2021

# McDonald's Values

The backbone of our Brand is a commitment to a set of core values that define who we are and how we run our business and restaurants



## 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

McDonald's values are the filter through which all business decisions are made because **actions are bigger than words**



# Maximize Our Marketing Growth Pillar

Tapping into the rituals and memories that are already special to McDonald's fans

## Value Proposition



**Meet customer needs** in challenging times

**Value at every tier of the menu** is especially important in uncertain economic environments

## Enduring Marketing Programs



**Fan Truths** that build on customer affinity through relatability and cultural moments

**Digital Monopoly** in Australia, Canada, and the U.K. speaks to the endurance of McDonald's marketing platforms and the ability to adapt existing equities to meet customers where they are

## Elevated Marketing



**Partnerships with on-trend brands** like the Cactus Plant Flea Market campaign in the U.S.

**Famous Orders** with The Kid LAROI in Australia, Sebastián Yatra in Spain, and a local celebrity in China

# Commit to the Core Growth Pillar

Global core menu items represent 60%+ of total sales and 75%+ of food sales

## Cultural Relevance



**Tap into customer demand for familiar favorites**, like our World Famous Fries® and Chicken McNuggets®, which were featured in the FIFA World Cup campaign that debuted in 75 markets

## Global Core Menu



**+10 brand equities with >\$1B in sales** including the World Famous Fries, Big Mac and Chicken McNuggets

**Improvements of classics** by implementing a series of operational and formulation changes designed to deliver hotter, juicer, tastier burgers

## Menu Innovation



**Scaling emerging equities** including McCrispy and McSpicy

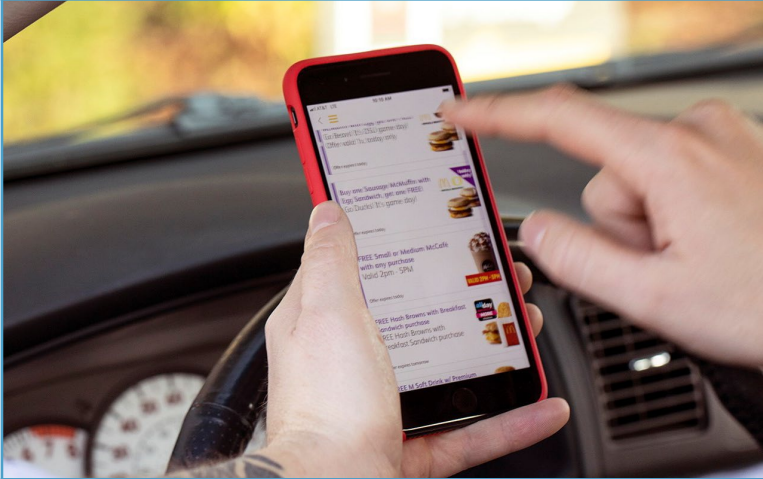
**Fresh spins on classics** creating new fan-favorites like the **Chicken Big Mac** in the U.K., the **Bacon Big Mac** in Italy and the **Double Big Mac** in Germany each creating craveable moments for a new generation of McDonald's fans



# Double Down on the 4Ds Growth Pillar

Unlocking growth by delivering a personalized and convenient customer experience

## Digital



**~40% of 2022 Systemwide sales\*** in McDonald's top six markets is fueled by digital  
**Loyalty** is now in over 50 markets with **~50M active** MyMcDonald's Rewards members in McDonald's top six markets around the world

## Delivery



**Delivery is in ~100 markets**, representing 85% of restaurants  
**Integrated McDelivery** within the McDonald's app  
**Long-term strategic partnerships** with delivery providers such as UberEats, DoorDash, Just Eat Takeaway.com and Deliveroo

## Drive Thru



**+26K drive thru** locations globally, including ~95% of U.S. locations  
**1,900 new restaurants globally expected** in 2023, contributing nearly 4% net unit growth, and the vast majority will include a drive thru

As of 12/31/2022

\* Systemwide sales is a non-GAAP financial measure; see "Important Disclaimers"

# Foundation

Speed, accuracy, friendliness, and quality are correlated with business performance

## PACE



**Grading and consulting** program launched in nearly all major markets in 2022

**Operational improvements** in several key markets driven by dedicated support at lower-performing restaurants

## Customer Satisfaction



**Customer satisfaction improving** mid to high single digits overall

**Even greater ambitions** are fueled by gains in customer satisfaction and are a testament to the dedication of our restaurant teams

## Speed of Service

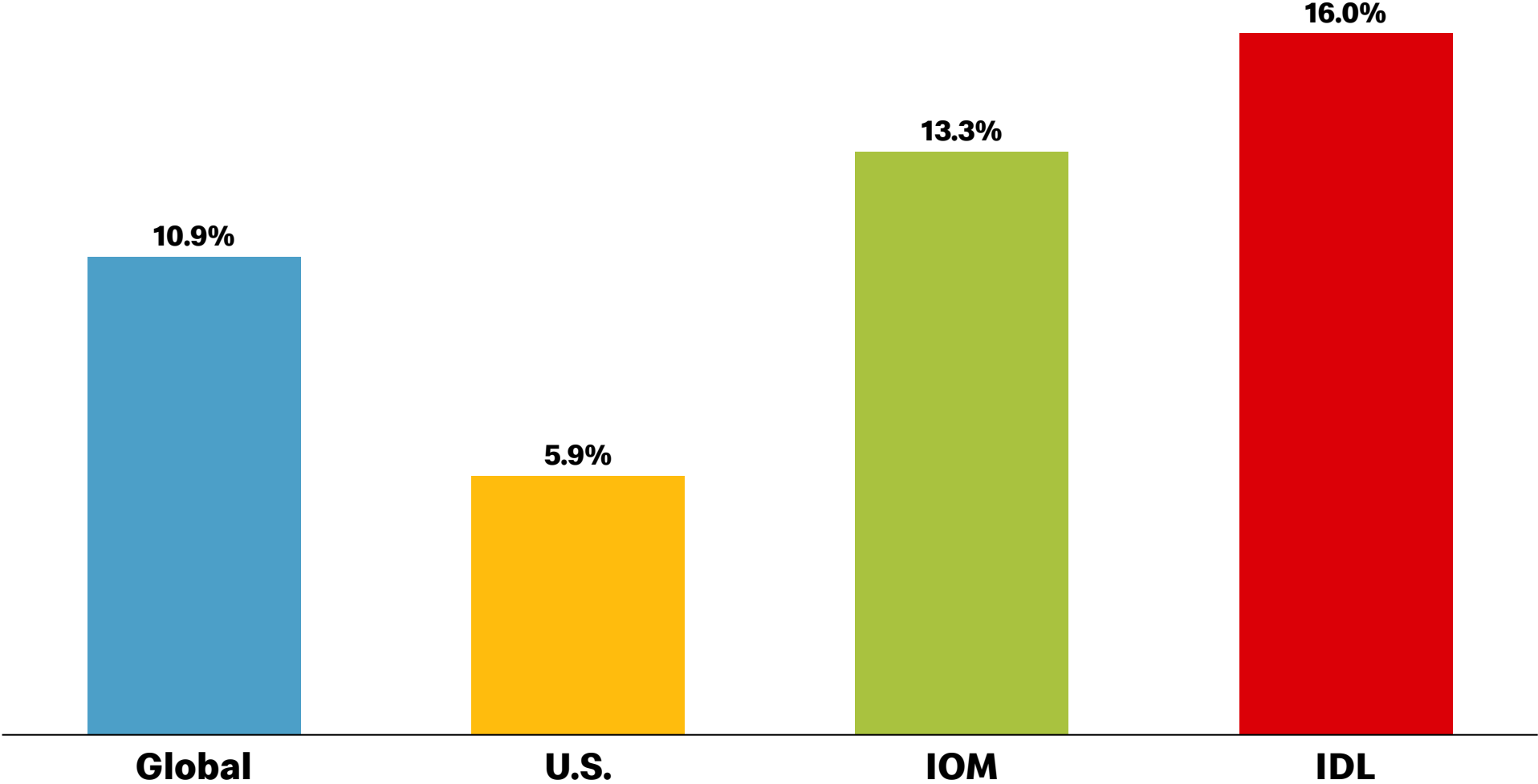


**Increasingly faster** despite a more challenging labor environment

**Recent digital enhancement**, piloting in the U.S., enables crew to begin assembling a customer's mobile order prior to their arrival at the restaurant to expedite service and elevate customer satisfaction

# 2022 Global and Segment Comp Sales\*

Driven by continued execution of the Accelerating the Arches strategy

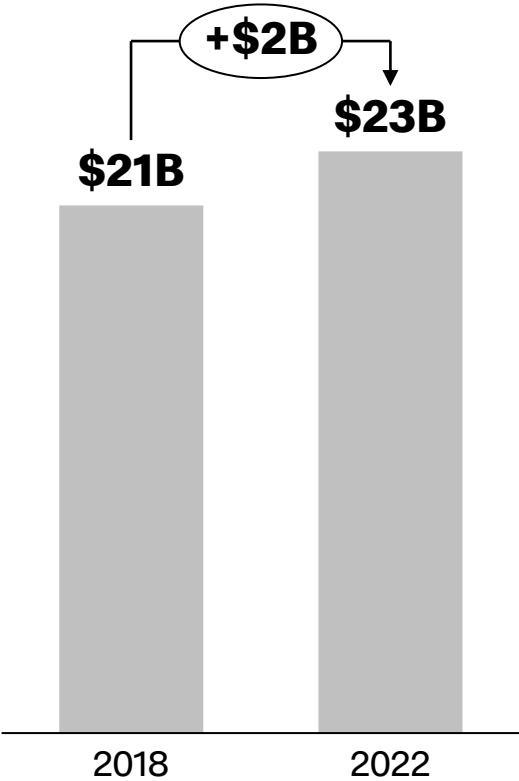


\* Reflects growth over the prior year

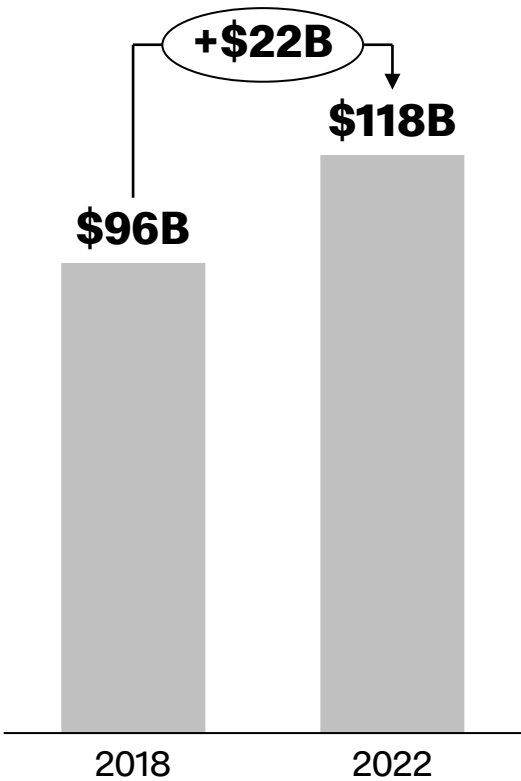
# 2022 Global Financial Overview

Strong growth over the last 5 years is a testament to the resilience of the Business

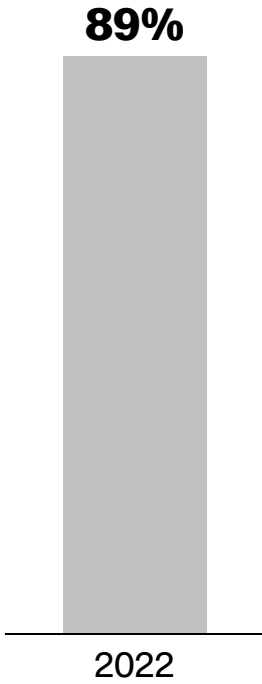
## Total Revenue



## Systemwide Sales\*



## Free Cash Flow Conversion\*



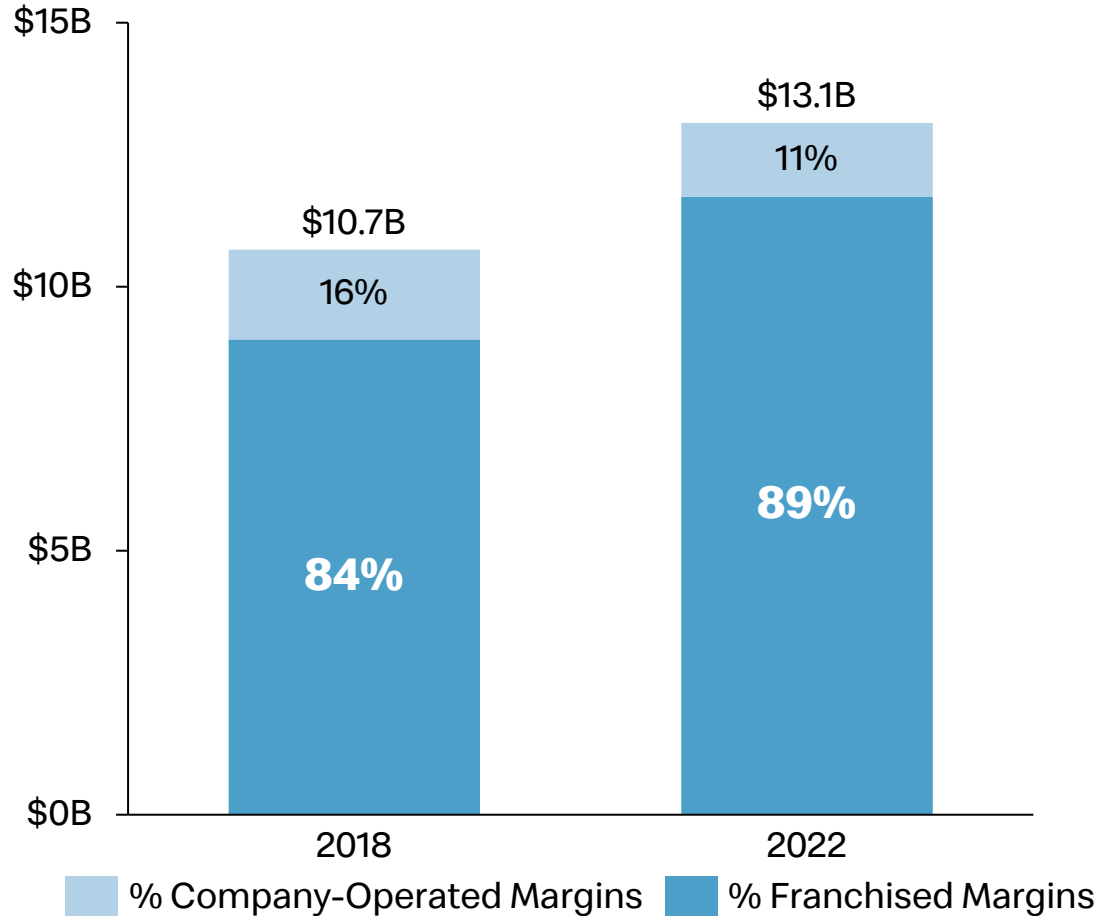
\* Systemwide sales and free cash flow conversion are non-GAAP financial measures; see "Important Disclaimers"



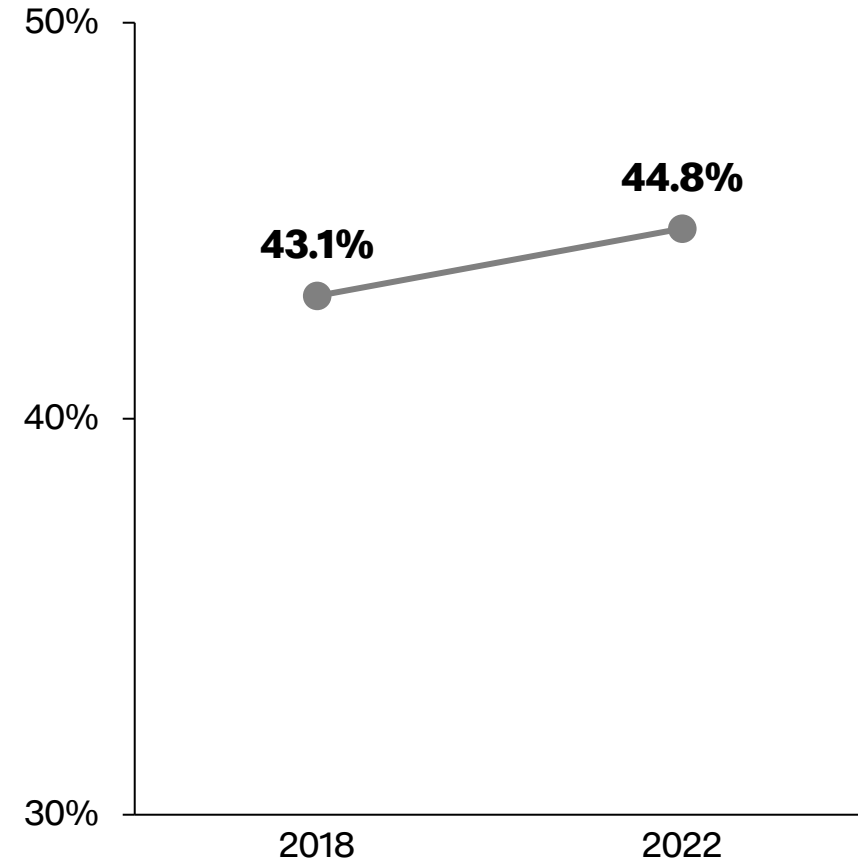
# Adjusted Operating Margin\*

Franchise margin represented nearly 90% of margin dollars in 2022, leading to operating margin leverage and continued business model stability

### Total Restaurant Margin \$s



### Adjusted Operating Margin %\*



\* Adjusted operating margin is a non-GAAP financial measure; see "Important Disclaimers."



# Capital Allocation Philosophy

Optimize and prioritize returning free cash flow to shareholders

## Invest in the Business



**Reinvest** in existing units and build new units to drive growth

## Payout Dividends



**46 consecutive years** of dividend increases

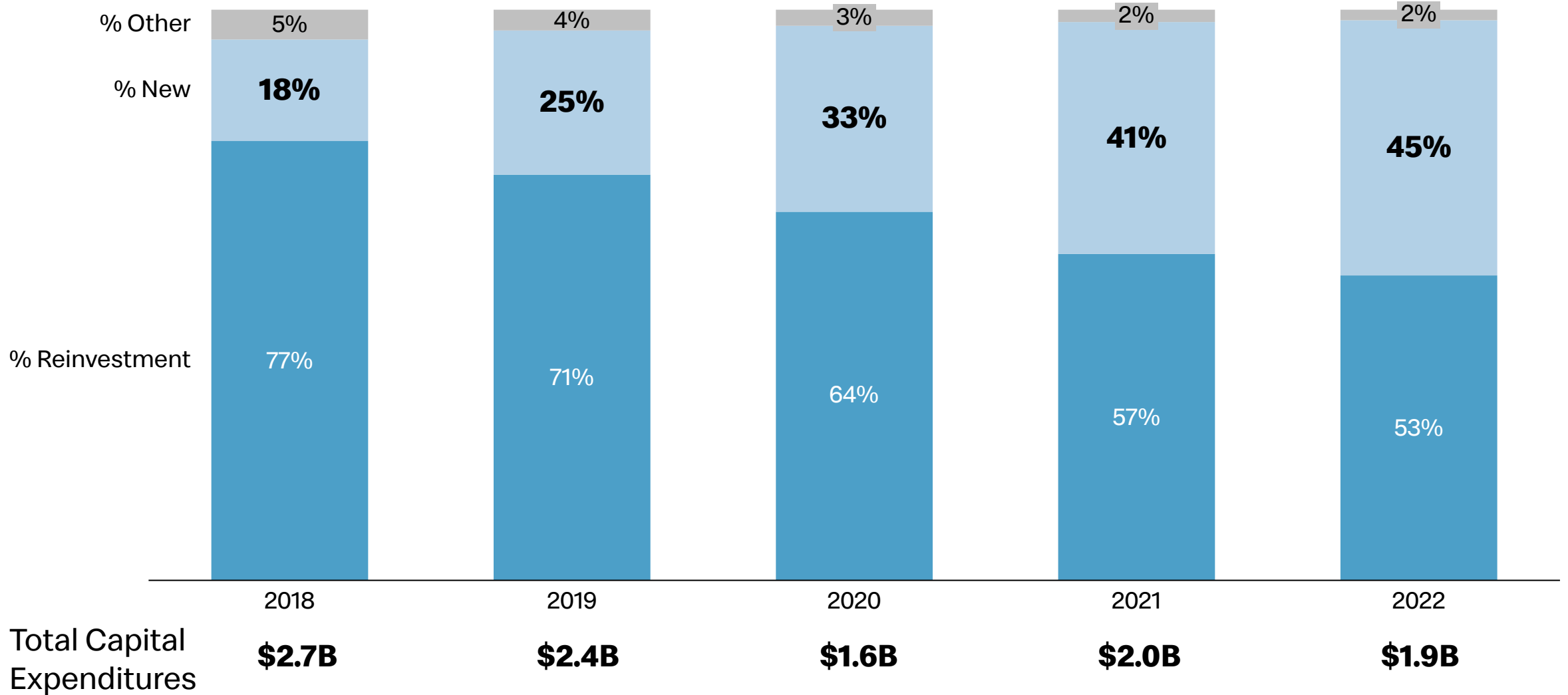
## Repurchase Shares



Maintain a **strong balance sheet** while repurchasing shares

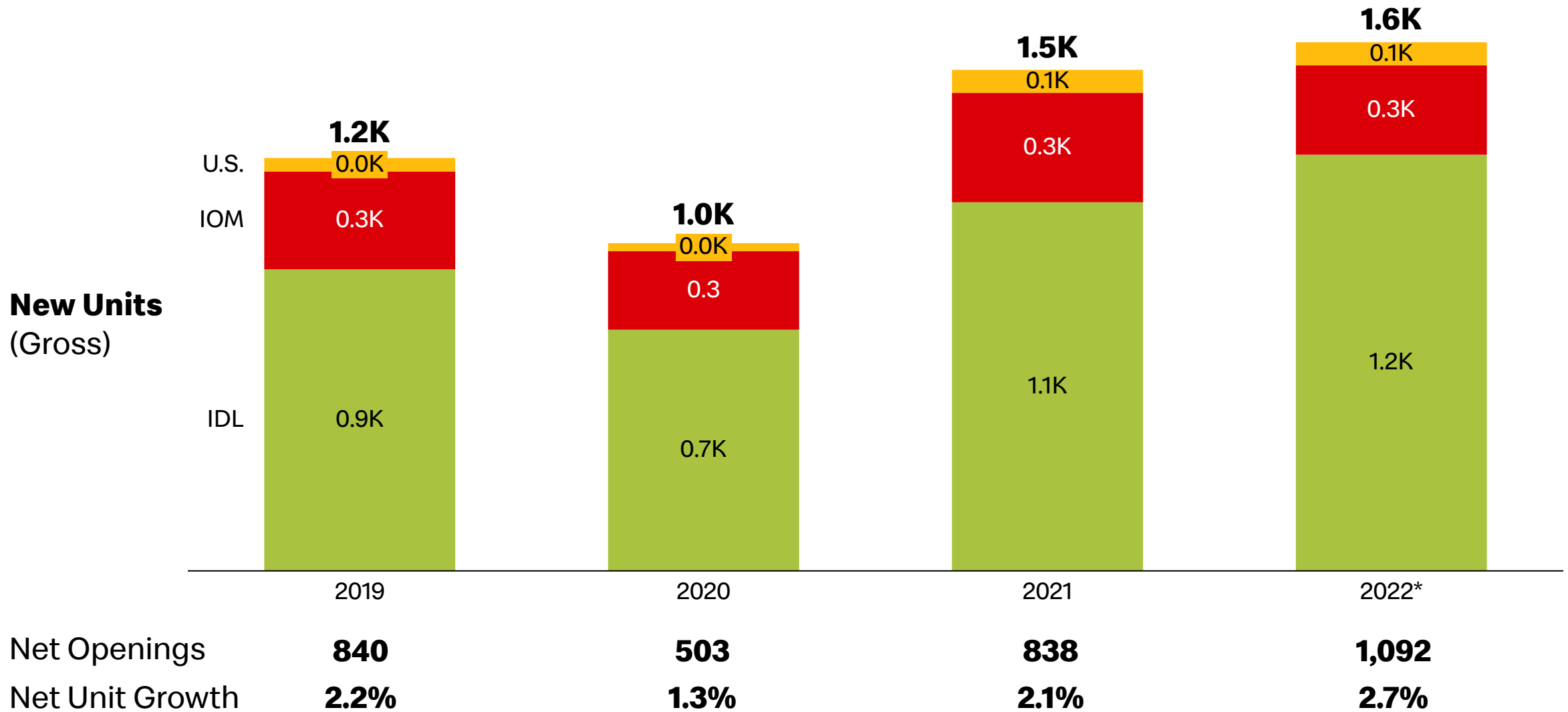
# Capital Expenditures

Shift in capital expenditures from reinvestment to new units



# Restaurant Openings

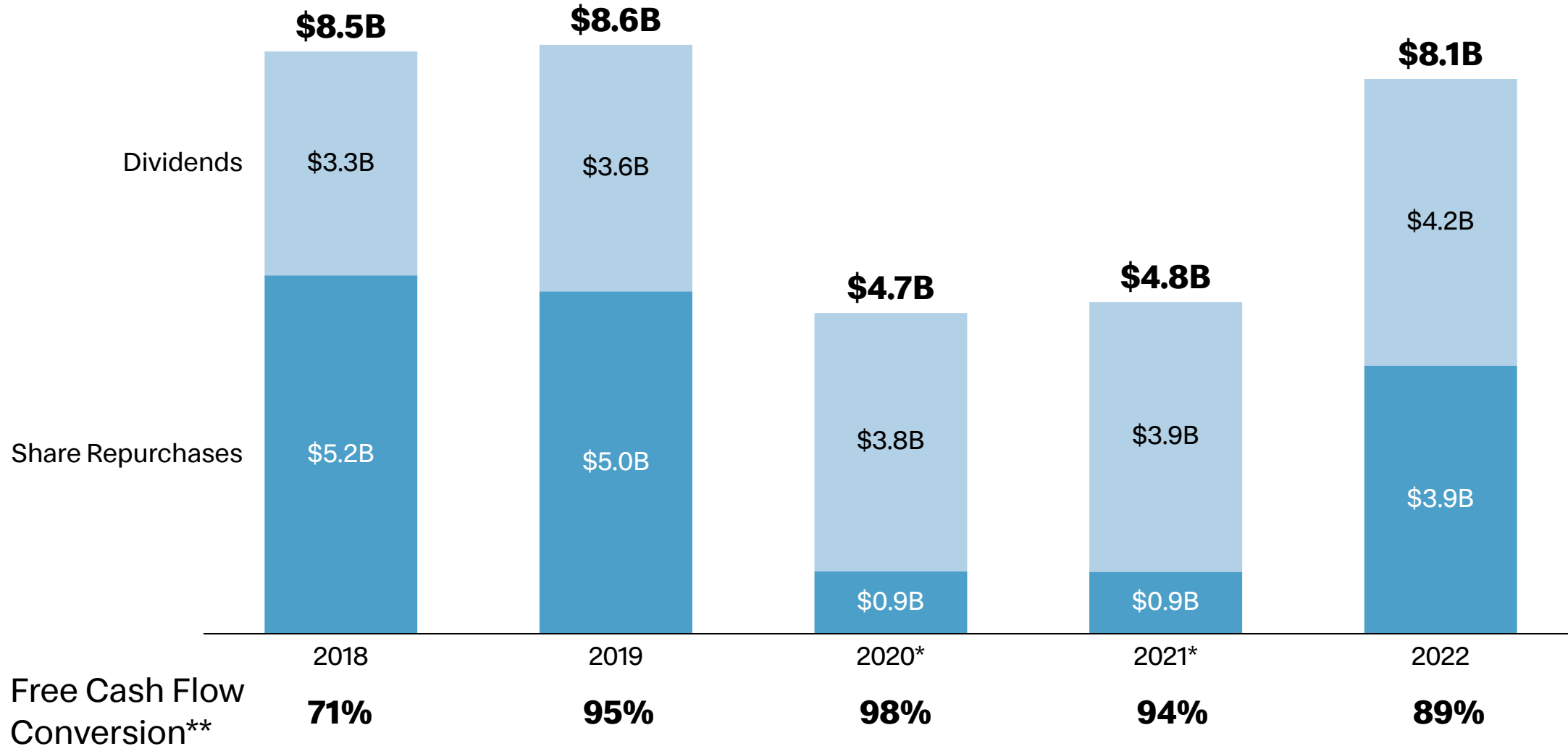
The pace of restaurant openings has increased



\* Excludes the sale of the Company's business in Russia in the second quarter of 2022

# Cash Returned to Shareholders

McDonald's has consistently returned cash to shareholders via dividends and share repurchases over time

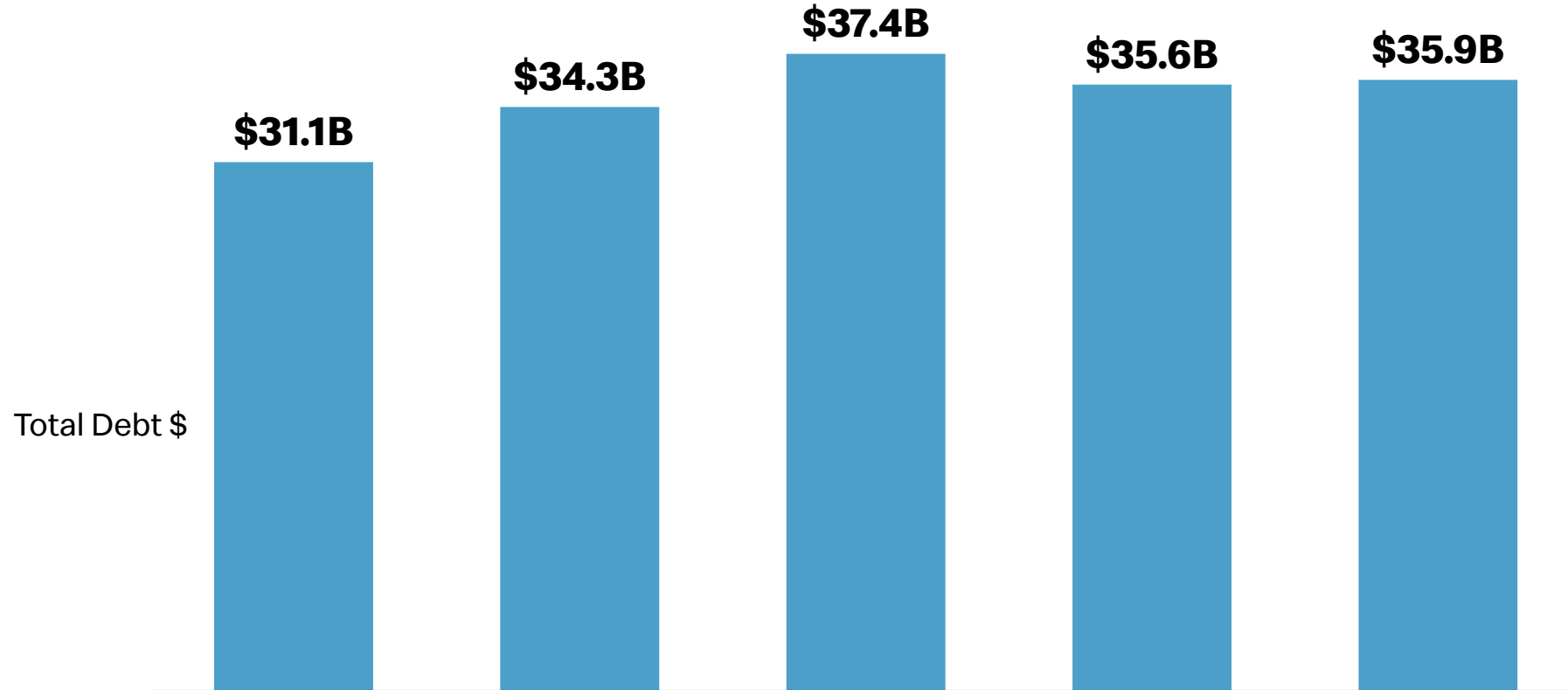


\* Paused share repurchases March 2020 – September 2021

\*\* Free cash flow conversion is a non-GAAP financial measure; see “Important Disclaimers”

# Capital Structure

McDonald's maintains a strong investment grade credit rating

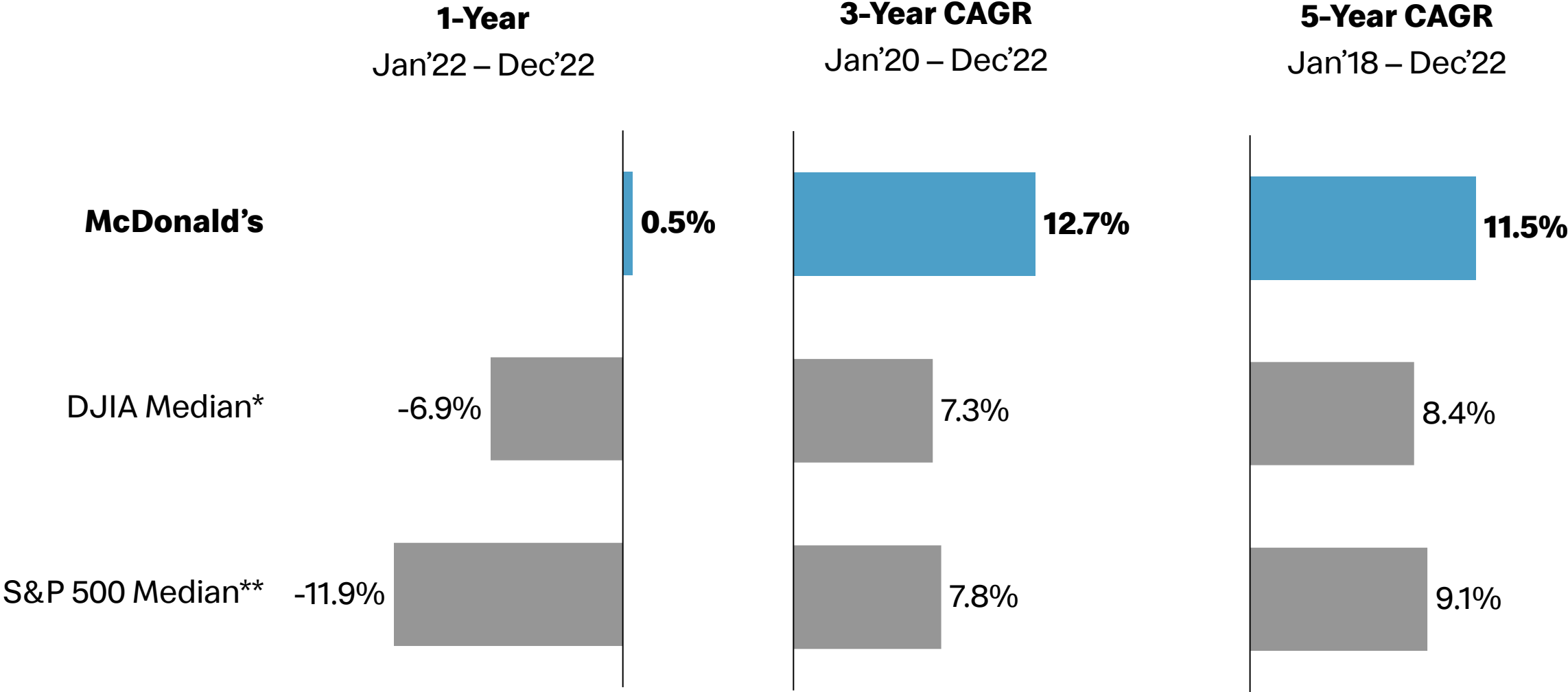


	2018	2019	2020	2021	2022	
Debt/EBITDA	<b>3.1x</b>	<b>3.3x</b>	<b>4.2x</b>	<b>3.0x</b>	<b>2.9x</b>	
Moody's Rating	<b>Baa1</b>	<b>Baa1</b>	<b>Baa1</b>	<b>Baa1</b>	<b>Baa1</b>	<b>Stable Outlook</b>
S&P Rating	<b>BBB+</b>	<b>BBB+</b>	<b>BBB+</b>	<b>BBB+</b>	<b>BBB+</b>	<b>Stable Outlook</b>



# Total Shareholder Return Performance History

McDonald's TSR has exceeded market indexes on a 1 year, 3 year and 5 year basis



As of 12/31/2022

\* DJIA Median is median TSR generated by all constituents of the DJIA

\*\* S&P 500 Median is median TSR generated by all constituents of the S&P 500

# 2023 Outlook\*

Based on current conditions, the following is provided to assist in forecasting the Company's future results

- The Company expects **net restaurant unit expansion** will contribute nearly 1.5% to 2023 Systemwide sales\*\* growth, in constant currencies
- The Company expects full year 2023 **selling, general and administrative expenses** to be about 2.2% of Systemwide sales\*\*
- The Company expects 2023 **operating margin** percent to be about 46%. Excluding charges primarily related to restructuring costs associated with *Accelerating the Organization*, adjusted operating margin is expected to be about 47%
- Based on current interest and foreign currency exchange rates, the Company expects **interest expense** for the full year 2023 to increase between 12% and 13%, driven by higher average debt balances and higher average interest rates
- The Company expects the **effective income tax rate** for the full year 2023 to be in the 19% to 21% range. Some volatility may result in a quarterly tax rate outside of the annual range
- The Company expects 2023 **capital expenditures** to be between \$2.2 and \$2.4 billion, about half of which will be directed towards new restaurant unit expansion across the U.S. and International Operated Markets. Globally, the Company expects to open about 1,900 restaurants. The Company will open more than 400 restaurants in the U.S. and International Operated Markets segments, and developmental licensees and affiliates will contribute capital towards about 1,500 restaurant openings in their respective markets. The Company expects about 1,500 **net restaurant additions** in 2023
- The Company expects to achieve a **free cash flow conversion\*\*** rate of nearly 90%

\* Excerpted from the Company's Quarterly Report on Form 10-Q filed with the SEC on 11/2/2023; see "Important Disclaimers"

\*\* Systemwide sales and free cash flow conversion are non-GAAP financial measures; see "Important Disclaimers"

# Appendix: GAAP Reconciliations

<b>Adjusted Operating Income &amp; Adjusted Operating Margin</b> (dollars in millions)		
	<b><u>2022</u></b>	<b><u>2018</u></b>
Operating income	\$9,371	\$8,823
Russia sale charge	1,281	-
Dynamic Yield sale gain	(271)	-
Strategic restructuring charges	-	94
Impairment charges	-	140
Adjusted operating income	<u>\$10,381</u>	<u>\$9,057</u>
Total revenues	<u>\$23,183</u>	<u>\$21,025</u>
Adjusted operating margin	<u>44.8%</u>	<u>43.1%</u>

# Appendix: GAAP Reconciliations

<b>Free Cash Flow &amp; Free Cash Flow Conversion</b>					
<b>(dollars in millions)</b>					
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Cash provided by operations	\$7,387	\$9,142	\$6,265	\$8,122	\$6,967
Less: Capital expenditures	1,899	2,040	1,641	2,394	2,742
Free cash flow	\$5,488	\$7,102	\$4,624	\$5,728	\$4,225
Net income	\$6,177	\$7,545	\$4,731	\$6,025	\$5,924
Free cash flow conversion	88.8%	94.1%	97.8%	95.1%	71.3%