

MCDONALDS CORP
Form 10-Q
November 05, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2010

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File Number 1-5231

McDONALD S CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	36-2361282 (I.R.S. Employer Identification No.)
One McDonald s Plaza Oak Brook, Illinois (Address of Principal Executive Offices)	60523 (Zip Code)
(630) 623-3000	

(Registrant s Telephone Number, Including Area Code)

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

1,056,506,714

(Number of shares of common stock

outstanding as of September 30, 2010)

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MCDONALD S CORPORATION

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****CONDENSED CONSOLIDATED BALANCE SHEET**

	(unaudited)	
	September 30,	December 31,
	2010	2009
In millions, except per share data		
Assets		
Current assets		
Cash and equivalents	\$ 2,495.0	\$ 1,796.0
Accounts and notes receivable	1,013.6	1,060.4
Inventories, at cost, not in excess of market	103.6	106.2
Prepaid expenses and other current assets	564.3	453.7
Total current assets	4,176.5	3,416.3
Other assets		
Investments in and advances to affiliates	1,295.9	1,212.7
Goodwill	2,521.5	2,425.2
Miscellaneous	1,697.1	1,639.2
Total other assets	5,514.5	5,277.1
Property and equipment		
Property and equipment, at cost	33,760.8	33,440.5
Accumulated depreciation and amortization	(12,283.3)	(11,909.0)
Net property and equipment	21,477.5	21,531.5
Total assets	\$ 31,168.5	\$ 30,224.9
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 596.5	\$ 636.0
Dividends payable	643.4	
Income taxes	104.2	202.4
Other taxes	274.1	277.4
Accrued interest	149.6	195.8
Accrued payroll and other liabilities	1,419.6	1,659.0
Current maturities of long-term debt	78.9	18.1
Total current liabilities	3,266.3	2,988.7
Long-term debt	11,357.1	10,560.3
Other long-term liabilities	1,570.4	1,363.1
Deferred income taxes	1,336.9	1,278.9
Shareholders' equity		
Preferred stock, no par value; authorized 165.0 million shares; issued none		
Common stock, \$.01 par value; authorized 3.5 billion shares; issued 1,660.6 million shares	16.6	16.6
Additional paid-in capital	5,108.3	4,853.9

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Retained earnings	32,568.9	31,270.8
Accumulated other comprehensive income	703.8	747.4
Common stock in treasury, at cost; 604.1 and 583.9 million shares	(24,759.8)	(22,854.8)
Total shareholders equity	13,637.8	14,033.9
Total liabilities and shareholders equity	\$ 31,168.5	\$ 30,224.9

See Notes to condensed consolidated financial statements.

Table of Contents**CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)**

	Quarters Ended		Nine Months Ended	
	September 30, 2010	2009	September 30, 2010	2009
In millions, except per share data				
Revenues				
Sales by Company-operated restaurants	\$ 4,246.6	\$ 4,093.6	\$ 12,063.1	\$ 11,428.5
Revenues from franchised restaurants	2,058.3	1,953.1	5,797.4	5,342.8
Total revenues	6,304.9	6,046.7	17,860.5	16,771.3
Operating costs and expenses				
Company-operated restaurant expenses	3,354.0	3,299.8	9,679.7	9,379.6
Franchised restaurants occupancy expenses	344.4	338.6	1,018.0	953.3
Selling, general & administrative expenses	556.3	549.6	1,667.5	1,578.4
Impairment and other charges (credits), net	3.6	(1.5)	41.2	0.9
Other operating (income) expense, net	(49.9)	(72.6)	(161.8)	(155.6)
Total operating costs and expenses	4,208.4	4,113.9	12,244.6	11,756.6
Operating income	2,096.5	1,932.8	5,615.9	5,014.7
Interest expense	114.8	117.8	333.9	358.0
Nonoperating (income) expense, net	7.2	(6.0)	15.3	(34.4)
Gain on sale of investment		(0.6)		(94.9)
Income before provision for income taxes	1,974.5	1,821.6	5,266.7	4,786.0
Provision for income taxes	586.1	560.6	1,562.7	1,451.8
Net income	\$ 1,388.4	\$ 1,261.0	\$ 3,704.0	\$ 3,334.2
Earnings per common share basic:	\$ 1.31	\$ 1.16	\$ 3.46	\$ 3.04
Earnings per common share diluted:	\$ 1.29	\$ 1.15	\$ 3.42	\$ 3.00
Dividends declared per common share	\$ 1.16	\$ 1.05	\$ 2.26	\$ 2.05
Weighted-average shares outstanding basic	1,061.0	1,084.5	1,069.7	1,097.1
Weighted-average shares outstanding diluted	1,074.9	1,098.2	1,083.9	1,111.6
See Notes to condensed consolidated financial statements.				

Table of Contents**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

In millions	Quarters Ended		Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Operating activities				
Net income	\$ 1,388.4	\$ 1,261.0	\$ 3,704.0	\$ 3,334.2
Adjustments to reconcile to cash provided by operations				
Charges and credits:				
Depreciation and amortization	312.7	311.9	942.1	898.5
Deferred income taxes	12.1	59.4	5.5	148.5
Gain on sale of investment		(0.6)		(94.9)
Share-based compensation	20.0	25.9	64.7	85.9
Impairment and other charges (credits), net	3.6	(1.5)	41.2	0.9
Other	83.3			