McDonald's Corporation (MCD)

Updated May 12th, 2026, by Prakash Kolli

Key Metrics

Current Price:	$275	**5 Year CAGR Estimate:**	10.9%	**Market Cap:**	$195.10B
Fair Value Price:	$312	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date[1]:**	06/02/26
% Fair Value:	88%	**5 Year Valuation Multiple Estimate:**	2.6%	**Dividend Payment Date:**	06/16/26
Dividend Yield:	2.7%	**5 Year Price Target**	$417	**Years Of Dividend Growth:**	49
Dividend Risk Score:	A	**Sector:**	Consumer Discretionary	**Rating:**	Buy

Overview & Current Events

McDonald's, founded in 1940 and headquartered in Chicago, IL, is the world's leading restaurant chain, with 45,356 locations in about 119 countries as of the end of 2025. The highest store counts are in the US (13,706), China (7,740), Japan (3,025), France (1,630), and Canada (1,520). Approximately 95% of the stores are franchised or licensed, while the remaining 5% are company-owned. However, the company owns about 55% of the real estate and 80% of the buildings in its network. The firm sells burgers, chicken sandwiches, fries, breakfast sandwiches, burritos, nuggets, shakes, sodas, coffee, etc. Total system sales were approximately $139B+, and total revenue was around $26.9B in 2025.

On May 7th, McDonald's reported Q1 2026 results. Total revenue was $6,517M, up 9% compared to $5,956M in Q1 2025 on 11% higher systemwide sales. Adjusted diluted earnings increased 6% to $2.83 per share compared to $2.67 per share in comparable periods on higher revenue. On a geographic basis, comparable sales were +3.9% in the US, +3.9% in the International Operated Markets, and +3.4% in the International Developmental Licensed Markets. The firm's focus on value deals, marketing, menu, and the McValue platform are boosting traffic and sales.

The company's Accelerating the Arches strategy is driving growth and higher margins. It focuses on the digital app and dual-lane drive-thru, development, and delivery to provide convenience. However, a stressed consumer has led the chain to offer its $5 Meal Deal to increase its value proposition. The company is growing its loyalty program, reaching 210 million users in 70 markets. Loyalty member sales were approximately $38 billion in the trailing twelve months.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$5.71	$6.66	$7.90	$7.84	$6.05	$9.28	$10.10	$11.56	$11.39	$12.20	***$12.98***	***$17.37***
DPS	$3.61	$3.83	$4.19	$4.73	$5.04	$5.25	$5.66	$6.23	$6.78	$7.17	***$7.44***	***$9.96***
Shares[2]	861	816	786	765	750	752	741	732	722	716	***713***	***695***

McDonald's has a long and successful history of earnings-per-share growth. Over the 2016-2025 period, earnings per share compounded at an average annual rate of 8.8%. During that time, the company did encounter challenges, though, as profits dropped during the pandemic, and in 2024. McDonald's reignited growth by offering all-day breakfast at its restaurants and expanding its menu with healthier options. Another significant strategic shift was McDonald's decision to refranchise many of its restaurants. McDonald's is now asset-light and low-cost, collecting franchise and real estate fees from thousands of restaurants. This strategy has been successful, with earnings per share growing at a strong pace.

McDonald's continues to outperform many of its peers in generating rising systemwide sales from existing restaurants. Earnings per share growth should be driven by higher sales, declining operating costs, new restaurants, and share repurchases. The company is adding restaurants at a rapid clip. The firm plans to grow its unit count by 4% to 5% annually and increase capital expenditures. We are forecasting 6% average annual growth through 2031.

McDonald's reasonable payout ratio indicates the dividend is safe. We estimate the dividend will increase on average by about 6% annually over the next five years.

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[1] Estimated date. McDonald's has not yet announced the next dividend distribution.
[2] Share count in millions.
Disclosure: This analyst is long MCD.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	21.1	22.3	21.1	25.2	33.2	25.3	25.1	25.6	25.5	25.2	***21.2***	***24.0***
Avg. Yld.	3.0%	2.6%	2.5%	2.4%	2.5%	2.2%	2.2%	2.3%	2.3%	2.3%	***2.7%***	***2.4%***

McDonald's stock price is down since our last report despite beating estimates. We lowered our earnings estimate to match analyst consensus. Our fair value multiple is 24 times earnings, below the 10-year average, considering the solid business model, operational execution, and inflation. Our fair value estimate is $312. Our 5-year price target is $417.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	63%	58%	53%	60%	83%	57%	56%	54%	60%	59%	***57%***	***57%***

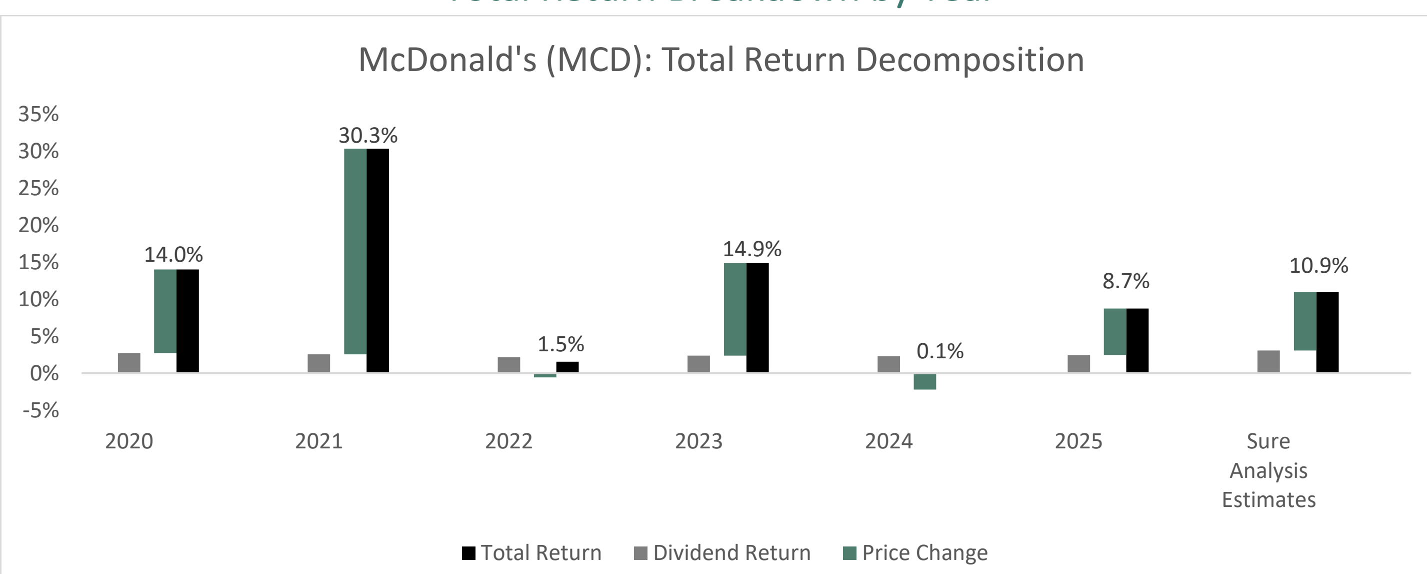
McDonald's competitive advantage lies in its global scale, cost advantages, extensive restaurant network, well-known brand, and real estate assets. The company has one of the most renowned brands in the world and has successfully replicated its business model globally. Next, McDonald's often owns prime real estate, making it difficult for competitors to gain traction. That said, barriers to entry are minimal, and competition in the market space is intense. However, the company's superior track record against numerous competitors has illustrated why it is No. 1. During the Great Recession, McDonald's posted excellent results, with earnings per share of $2.91, $3.67, $3.98, and $4.60 over the 2007 through 2010 stretch, while the dividend kept on increasing to boot. Results bounced back after the pandemic, too.

At end of Q1 2026, long-term debt was $40,105M offset by $1,170 in cash and equivalents. The company is slowly reducing leverage after peaking in 2020. The leverage ratio is ~3.25X and interest coverage is about 7.86X.

Final Thoughts & Recommendation

Total return potential comes in at 10.9% per annum, as 6% growth, and a 2.7% dividend yield is offset by a 2.6% valuation tailwind. The firm's value proposition and convenience are resonating with consumers, while its competitors have stumbled in a challenging economic environment with tariffs and significant inflationary headwinds. The firm is returning cash to shareholders through dividends and share buybacks. Investors should like this high-quality company. We have changed our rating to a 'buy' at the current share price.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	24622	22820	21025	21077	19210	23220	23183	25494	25920	26885
Gross Profit	10205	10621	10786	11115	9752	12580	13207	14563	14711	14978
Gross Margin	41.4%	46.5%	51.3%	52.7%	50.8%	54.2%	57.0%	57.1%	56.8%	55.7%
SG&A Exp.	2385	2231	2200	2229	2245	2378	2492	2435	2412	3604
D&A Exp.	1517	1363	1482	1618	1751	1868	1871	1978	2097	2199
Operating Profit	7820	8390	8586	8886	7206	9873	9371	11647	11713	12383
Op. Margin	31.8%	36.8%	40.8%	42.2%	37.5%	42.5%	40.4%	45.7%	45.2%	46.1%
Net Profit	4687	5192	5924	6025	4730	7545	6177	8469	8223	8563
Net Margin	19.0%	22.8%	28.2%	28.6%	24.6%	32.5%	26.6%	33.2%	31.7%	31.9%
Free Cash Flow	4239	3698	4225	5728	4624	7102	5488	7255	6672	7186
Income Tax	2180	3381	1892	1993	1410	1583	1648	2053	2121	2334

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	31024	33804	32811	47511	52630	53850	50436	56147	55182	59515
Cash & Equivalents	1223	2464	866	899	3449	4709	2584	4579	1085	774
Inventories	59	59	51	50	51	56	52	53	56	61
Goodwill & Int.	2337	2380	2332	2677	2773	2782	2900	3040	3145	4415
Total Liabilities	33228	37072	39070	55721	60450	58460	56439	60854	58979	61307
Accounts Payable	756	925	1208	988	741	1007	980	1103	1029	1149
Long-Term Debt	25956	29536	31075	34177	37440	35620	35904	37153	38424	54120
Total Equity	-2204	-3268	-6258	-8210	-7825	-4601	-6003	-4707	-3797	-1790
LTD/E Ratio	-11.78	-9.04	-4.97	-4.16	-4.79	-7.74	-5.98	-7.89	-10.12	-30.22

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	13.6%	16.0%	17.8%	15.0%	9.5%	14.2%	11.8%	15.9%	14.8%	14.9%
Return on Equity	---	---	---	---	---	---	---	---	---	---
ROIC	17.1%	20.8%	23.2%	23.7%	17.0%	24.9%	20.3%	27.2%	23.7%	17.0%
Shares Out.	819	794	767	746	750	752	741	732	722	716
Revenue/Share	28.59	27.98	26.76	27.55	25.61	30.89	31.27	34.81	35.91	37.53
FCF/Share	4.92	4.53	5.38	7.49	6.17	9.45	7.40	9.91	9.24	10.03

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.