

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 8-K**

**CURRENT REPORT PURSUANT TO  
SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**Date of report (Date of earliest event reported): March 1, 2017**

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**McDONALD'S CORPORATION**

(Exact Name of Registrant as Specified in Charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**1-5231**  
(Commission  
File Number)

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**36-2361282**  
(IRS Employer  
Identification No.)

**One McDonald's Plaza  
Oak Brook, Illinois**  
(Address of Principal Executive Offices)

**60523**  
(Zip Code)

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**(630) 623-3000**  
(Registrant's telephone number, including area code)

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**Not Applicable**  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 7.01. Regulation FD Disclosure.**

On March 1, 2017, McDonald's Corporation issued an Investor Release titled "McDonald's Unveils New Global Growth Plan." A copy of the Investor Release is being furnished as Exhibit 99.1 to this Form 8-K. Supplemental information is also furnished herewith as Exhibit 99.2.

**Item 9.01. Financial Statements and Exhibits.**

(d) *Exhibits.*

99.1 Investor Release of McDonald's Corporation issued March 1, 2017:  
McDonald's Unveils New Global Growth Plan

99.2 McDonald's Corporation: Supplemental Information

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

### **McDONALD'S CORPORATION**

(Registrant)

Date: March 1, 2017

By: /s/ Catherine Hoovel

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Catherine Hoovel

Corporate Vice President - Chief Accounting Officer

## Exhibit Index

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|------------------|---|
| Exhibit No. 99.1 | Investor Release of McDonald's Corporation issued March 1, 2017:<br>McDonald's Unveils New Global Growth Plan |
| Exhibit No. 99.2 | McDonald's Corporation: Supplemental Information  |



Investor Release
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**FOR IMMEDIATE RELEASE**

3/1/2017

**FOR MORE INFORMATION CONTACT:**

Investors: Mike Flores, 630-623-3519

Media: Terri Hickey, 630-623-5593

**McDONALD'S UNVEILS NEW GLOBAL GROWTH PLAN**

CHICAGO, IL - McDonald's today unveiled its long-term global growth plan during the Company's Investor Day event in downtown Chicago. President and Chief Executive Officer Steve Easterbrook and members of the senior management team presented the plan, its financial targets and outlined the initiatives to unlock meaningful growth and increase guest counts.

The growth plan focuses on:

- **Enhancing digital capabilities and the use of technology to dramatically elevate the customer experience**
- **Redefining customer convenience through delivery**
- **Accelerating deployment of Experience of the Future restaurants in the U.S.**
- **Initiating a new 3-year target for cash return to shareholders, and**
- **Establishing new financial targets for Sales, Operating Margin, Earnings per Share and Return on Incremental Invested Capital**

"We have fundamentally changed the trajectory of our business over the past two years. Now, we are fit for purpose, ready to build on our momentum and transition to focus our efforts on profitable, long-term growth," said Easterbrook. "We are building a better McDonald's, one that makes delicious feel good moments easy for everyone, and I believe the moves we are making will reassert McDonald's as the global leader in the informal eating out category."

**Harnessing McDonald's Size and Scale to Create Growth**

McDonald's today unveiled a customer-centric strategy informed by deep consumer insights conducted across multiple markets to drive guest count growth.

"To deliver sustained growth, we have to attract more customers, more often," said Easterbrook. "Our greatest opportunities reside at the very heart of our brand - our food, value and the customer experience."

The strategy connects key tenets of the brand to well-defined customer groups built around three pillars:

- **Retaining existing customers** by fortifying and extending our areas of strength. Through a renewed focus on areas such as family occasions and food-led breakfast and transforming the experience in our restaurants, McDonald's will build on the strong foothold it has and grow the core of the business.
- **Regaining customers lost** to other QSR competitors. As customers' expectations increased, McDonald's simply didn't keep pace with them. Making meaningful improvements in quality, convenience and value will win back some of McDonald's best customers.
- **Converting casual customers to committed customers** by being more present in underdeveloped categories and occasions and competing more aggressively given the untapped demand for McCafé coffee and other snack offerings.

These pillars are designed to guide McDonald's efforts through three initiatives that will accelerate growth and enable the Company to have the biggest benefit to the most customers in the shortest possible time.

## **Enhancing Digital Capabilities and the Use of Technology to Dramatically Elevate the Customer Experience**

To bring customers into the restaurants, McDonald's must matter to people and be relevant in their daily lives. To do so, McDonald's is accelerating digital capabilities and enhancing its use of technology in restaurants, in the drive-thru, and on the go.

Inside the restaurants, McDonald's is bringing greater control, convenience and personalization to our customers through the use of kiosks to place orders, staffed with guest experience leaders to assist in the process. Customers can place their order and skip the front counter entirely, with their food brought right to their table. Additionally, customers will be able to place orders directly on the mobile app for pickup or have a kiosk recognize their app profile, which holds customized favorites and preferred payment methods. The result is a more stress-free, personalized experience, enhanced by technology and world-class hospitality that puts customers in control.

The same enhanced experience will be available outside the restaurant too. In the 1970s, McDonald's revolutionized convenience in the drive-thru to make getting high-quality food easy. Now, that experience is being transformed once again. By enabling mobile order and pay through the McDonald's app, customers can personalize their order while skipping the drive-thru line and instead choosing curbside delivery. If customers choose the drive-thru, they will simply read the already placed order code to the crew and their mobile order will be ready for pickup at the window. These more efficient enhancements will speed up the process and allow more customers to pass through our drive-thrus.

Mobile order and pay will be launched in 20,000 restaurants in some of our largest markets, including the U.S., by the end of 2017.

## **Redefining Convenience through Delivery**

One of the most significant disruptions in the restaurant business today is the rapid increase in delivery. Through technology, delivery has changed the way customers order, pay, track and receive food and provide feedback. Coupled with the explosive growth in third-party delivery companies, the landscape has created an exceptional opportunity for growth.

Because of our extraordinary footprint, McDonald's is uniquely positioned to become the global leader in delivery. In McDonald's top five markets (U.S., France, the U.K., Germany and Canada) nearly 75% of the population lives within three miles of a McDonald's. McDonald's is already one of the largest providers of delivered food in the world, with annual Systemwide delivery sales of nearly \$1 billion across various markets including China, South Korea and Singapore. China has tripled its delivery business since its launch in 2008. In 2016 alone, China's delivery business grew 30%.

No other food company in the world has this reach and ability to be this convenient to so many customers through delivery. Currently, McDonald's is experimenting with different delivery models including partnering with third parties for ordering and fulfillment throughout the world.

## **Accelerating Deployment of Experience of the Future Restaurants in the U.S.**

Experience of the Future elevates the customer experience at McDonald's to provide a more convenient, more personalized and more enjoyable visit. It leverages the convenience and technology of kiosk ordering and table service, increasing functionality of the mobile app to enhance the enjoyment of our food and the hospitality of the McDonald's crew, all in a more modern, more exciting restaurant environment. In restaurants around the world with Experience of the Future, we have realized mid-single digit sales lifts above the market.

In the near-term, McDonald's is redirecting a portion of capital saved from refranchising to modernizing the U.S. estate. The Company plans to reimagine about 650 restaurants in 2017. When combined with previously modernized restaurants which will be updated with Experience of the Future elements this year, the U.S. will have approximately 2,500 Experience of the Future restaurants by the end of 2017.

Because this investment represents one of the greatest opportunities to build on business momentum and grow guest counts, McDonald's intends to have most of the traditional free-standing U.S. restaurants modernized to reflect the Experience of the Future by the end of 2020.

## **Progress on the Company's Turnaround Plan and a New Cash Return to Shareholders Target**

In November of 2015, the Company provided targets for its refranchising, G&A savings and cash return to shareholders. Today, the Company updated its progress against these targets, specifically noting the following:

- **Refranchising** - the Company is on track to refranchise 4,000 restaurants by the end of 2017, a full year ahead of schedule. Once completed, this will bring the Company's global franchised percentage to approximately 93%.
- **Cost Savings** - the Company achieved more than \$200 million in savings through the end of 2016 towards its goal of reducing net G&A levels by \$500 million by the end of 2018, and expects to trim another 5 to 10% from its remaining cost base by the end of 2019.
- **Cash Return to Shareholders** - 2016 marked the achievement of the Company's 3-year target of \$30 billion cash return to shareholders. Today, the Company announced a new \$22 to \$24 billion cash return target for the 3-year period ending 2019, reinforcing management's confidence in the Company's long-term strategies and financial targets.

## **Financial Performance Expectations for 2019 and Beyond**

“Over the last two years we’ve fundamentally enhanced the strength and stability of our business by shifting our ownership structure and reducing capital and G&A needs going forward. We are now squarely focused on growing global top-line sales and guest counts to directly support our critical revenue stream,” said Chief Financial Officer Kevin Ozan. McDonald’s business model supports the Company’s ability to achieve and sustain the following updated long-term, average annual constant currency financial targets, beginning in 2019:

- Systemwide sales growth of 3% to 5%;
- Grow operating margin from the high-20% range to the mid-40% range;
- Earnings per share growth in the high-single digits; and
- Raise the return on incremental invested capital target from the high-teens to the mid-20% range.

“Through enhanced technology to elevate and modernize the customer experience, a focus on the quality and value of our food and redefined convenience through delivery, we have a bold vision for the future and the urgency to act on it,” said Easterbrook. “We are moving with velocity to drive profitable growth and becoming an even better McDonald’s serving more customers delicious food each day around the world.”

## **Related Communications**

McDonald’s Corporation broadcasted today’s Investor Meeting live over the Internet at [www.investor.mcdonalds.com](http://www.investor.mcdonalds.com). There will also be an archived webcast available for a limited time.

This press release should be read in conjunction with Exhibit 99.2 in the Company’s Form 8-K filing for supplemental information related to the Company’s March 1, 2017 Investor Meeting.

McDonald’s plans to release first quarter results before the market opens on April 25, 2017 and will host an investor webcast at 10 a.m. (Central Time). This webcast will be broadcast live and available for replay for a limited time thereafter at [www.investor.mcdonalds.com](http://www.investor.mcdonalds.com).

## **ABOUT McDONALD’S**

McDonald’s is the world’s leading global foodservice retailer with over 36,000 locations in over 100 countries. Approximately 85% of McDonald’s restaurants worldwide are owned and operated by independent local men and women.

## **FORWARD-LOOKING STATEMENTS**

This release contains certain forward-looking statements, which reflect management’s expectations regarding future events and operating performance and speak only as of the date hereof. These forward-looking statements involve a number of risks and uncertainties. The factors that could cause actual results to differ materially from our expectations are detailed in the Company’s filings with the Securities and Exchange Commission, including the risk factors discussed in Exhibit 99.2 of the Company’s Form 8-K filing on March 1, 2017. The Company undertakes no obligation to update such forward-looking statements, except as may otherwise be required by law.

## SUPPLEMENTAL INFORMATION

The purpose of this exhibit is to provide additional information related to McDonald's new global growth plan and financial updates. This exhibit should be read in conjunction with Exhibit 99.1.

## OUTLOOK

While the Company does not provide specific guidance on earnings per share, the following global and certain segment-specific information is provided to assist in forecasting the Company's future results.

### 2017 Outlook

- Changes in Systemwide sales are driven by comparable sales and net restaurant unit expansion. The Company expects net restaurant additions to add approximately 1 percentage point to 2017 Systemwide sales growth (in constant currencies).
- The Company does not generally provide specific guidance on changes in comparable sales. However, as a perspective, assuming no change in cost structure, a 1 percentage point change in comparable sales for either the U.S. or the International Lead segment would change annual diluted earnings per share by about 4 to 5 cents.
- With about 75% of McDonald's grocery bill comprised of 10 different commodities, a basket of goods approach is the most comprehensive way to look at the Company's commodity costs. For the full-year 2017, costs for the total basket of goods are expected to increase about 0.5-1.5% in the U.S. and increase about 2.0% in the International Lead segment.
- The Company expects full-year 2017 selling, general and administrative expenses to decrease about 7-8%, in constant currencies with fluctuations expected between the quarters. This includes incentive-based compensation costs of less than \$300 million.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense for the full-year 2017 to increase about 5-10% compared with 2016 due to higher average debt balances.
- A significant part of the Company's operating income is generated outside the U.S., and about 35% of its total debt is denominated in foreign currencies. Accordingly, earnings are affected by changes in foreign currency exchange rates, particularly the Euro, British Pound, Australian Dollar and Canadian Dollar. Collectively, these currencies represent approximately 70% of the Company's operating income outside the U.S. If all four of these currencies moved by 10% in the same direction, the Company's annual diluted earnings per share would change by about 25 cents.
- The Company expects the effective income tax rate for the full-year 2017 to be in the 31-33% range. Some volatility may result in a quarterly tax rate outside of the annual range.
- The Company expects capital expenditures for 2017 to be approximately \$1.7 billion, about one-third of which will be used to open new restaurants. The Company expects to open about 900 restaurants, including about 500 restaurants in affiliated and developmental licensee markets where the Company generally does not fund any capital expenditures. The Company expects net additions of about 400 restaurants. The remaining two-thirds of capital will be used to reinvest in existing locations, including about 650 reimages in the U.S. When combined with previously modernized restaurants that will be updated with EOTF elements in 2017, we expect to have about 2,500 EOTF restaurants in the U.S. by the end of 2017.

### Long-Term Outlook

- The Company expects to rebrand about 4,000 restaurants in the three-year period ending 2017, with a long-term goal to become approximately 95% franchised.
- The Company expects to realize net annual G&A savings of about \$500 million from its G&A base of \$2.6 billion at the beginning of 2015. Through the end of 2016, the Company realized cumulative savings of more than \$200 million and expects to realize the majority of its savings target by the end of 2017. Beyond its \$500 million reduction, the Company expects to further reduce G&A by 5-10% from the remaining G&A base by the end of 2019. These targets exclude the impact of foreign currency changes.
- The Company expects capital expenditures to decline by approximately \$500 million from the 2017 level of \$1.7 billion, once the U.S. restaurant modernization work is substantially completed.
- The Company expects to return between \$22 and \$24 billion to shareholders for the three-year period ending 2019. This new target contemplates proceeds from future restaurant sales expected under its ongoing rebranding initiative. As the business grows, the Company also expects to modestly increase its debt levels, while maintaining its credit metrics within current ranges.

### Long-Term Financial Targets

The Company has established the following long-term, average annual (constant currency) financial targets, beginning in 2019, with variability expected during 2017 and 2018 due to the impact of rebranding:



- Systemwide sales growth of 3-5%;
- Operating margin in the mid-40% range;
- Earnings per share growth in the high-single digits; and
- ROIC in the mid-20% range.

## **RISK FACTORS AND CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

The information in this report includes forward-looking statements about future events and circumstances and their effects upon revenues, expenses and business opportunities. Generally speaking, any statement in this report not based upon historical fact is a forward-looking statement. Forward-looking statements can also be identified by the use of forward-looking words, such as “may,” “will,” “expect,” “believe” and “plan” or similar expressions. In particular, statements regarding our plans, strategies, prospects and expectations regarding our business and industry are forward-looking statements. They reflect our expectations, are not guarantees of performance and speak only as of the date of this report. Except as required by law, we do not undertake to update them. Our expectations (or the underlying assumptions) may change or not be realized, and you should not rely unduly on forward-looking statements. Our business results are subject to a variety of risks, including those that are reflected in the following considerations and factors, as well as elsewhere in our filings with the SEC. If any of these considerations or risks materialize, our expectations may change and our performance may be adversely affected.

**If we do not successfully design and execute against our new business strategies within our new organization structure, we may not be able to increase operating income or market share.**

To drive future results, we must design business strategies that are effective in delivering operating income growth. Whether these strategies are successful depends mainly on our System’s ability to:

- Continue to innovate and differentiate the McDonald’s experience in a way that balances value and convenience to our customers with profitability;
- Reinvest in our restaurants and identify and develop restaurant sites consistent with our plans for net growth of Systemwide restaurants;
- Provide clean and friendly environments that deliver a consistent McDonald’s experience and demonstrate high service levels;
- Drive restaurant improvements that achieve optimal capacity, particularly during peak mealtime hours; and
- Manage the complexity of our restaurant operations.

If we are delayed or unsuccessful in executing our strategies, or if our strategies do not yield the desired results, our business, financial condition and results of operations may suffer.

**The implementation of our turnaround plan may intensify the risks we face and may not be successful in achieving improved performance.**

Our turnaround plan includes an accelerated pace of refranchising, cost savings initiatives and global restructuring. As we continue to implement our plans, the existing risks we face in our business may be intensified. Our efforts to reduce costs and capital expenditures depend, in part, upon our refranchising efforts, which, in turn, depend upon our ability to select qualified and capable franchisees and licensees. Our cost savings initiatives also depend upon our ability to achieve efficiencies through the consolidation of global, back-office functions. Therefore, if our turnaround-related initiatives are not successful, take longer to complete than initially projected, or are not well executed, or if our cost reduction efforts adversely impact our effectiveness, our business operations, financial results and results of operations could be adversely affected.

**Our investments to enhance the customer experience, including through technology, may not generate the expected returns.**

We will continue to build upon our investments in Experience of the Future (“EOTF”), which focus on restaurant modernization and technology and digital engagement in order to transform the restaurant experience. As we accelerate our pace of converting restaurants to EOTF, we are placing renewed emphasis on our improving our service model and strengthening relationships with customers, in part through digital channels and loyalty initiatives. We may not fully realize the intended benefits of these significant investments and therefore our business results may suffer.

**We face intense competition in our markets, which could hurt our business.**

We compete primarily in the “informal eating out” (IEO) segment, which is highly competitive. We are facing sluggish restaurant industry trends in several key markets, including the U.S. We also face sustained, intense competition from traditional, fast casual and other competitors, which may include many non-traditional market participants such as convenience stores, grocery stores and coffee shops. We expect our environment to continue to be highly competitive, and our results in any particular reporting period may be impacted by new or continuing actions of our competitors, which may have a short- or long-term impact on our results.

We compete on the basis of product choice, quality, affordability, service and location. In particular, we believe our ability to compete successfully in the current market environment depends on our ability to improve existing products, develop new products,

price our products appropriately, deliver a relevant customer experience, manage the complexity of our restaurant operations and respond effectively to our competitors' actions. Recognizing these dependencies, we have intensified our focus in recent periods on strategies to achieve these goals, including the turnaround plan described above, and we will likely continue to modify our strategies and implement new strategies in the future. There can be no assurance these strategies will be effective, and some strategies may be effective at improving some metrics while adversely affecting other metrics.

**If we do not anticipate and address evolving consumer preferences, our business could suffer.**

Our continued success depends on our System's ability to anticipate and respond effectively to continuously shifting consumer demographics, and trends in food sourcing, food preparation and consumer preferences in the IEO segment. In order to deliver a relevant experience for our customers amidst a highly competitive, value-driven operating environment, we must implement initiatives to adapt at an aggressive pace. There is no assurance that these initiatives will be successful and, if they are not, our financial results could be adversely impacted.

**If pricing, promotional and marketing plans are not effective, our results may be negatively impacted.**

Our results depend on the impact of pricing, promotional and marketing plans across the System, and the ability to adjust these plans to respond quickly and effectively to evolving customer preferences, as well as shifting economic and competitive conditions. Existing or future pricing strategies, and the value proposition they represent, are expected to continue to be important components of our business strategy; however, they may not be successful and could negatively impact sales and margins. Further, the promotion of menu offerings may yield results below the desired levels.

Additionally, we operate in a complex and costly advertising environment. Our marketing and advertising programs may not be successful, and we may fail to attract and retain customers. Our success depends in part on whether the allocation of our advertising and marketing resources across different channels allows us to reach our customers effectively. If the advertising and marketing programs are not successful, or are not as successful as those of our competitors, our sales, guest counts and market share could decrease.

**Failure to preserve the value and relevance of our brand could have a negative impact on our financial results.**

To be successful in the future, we believe we must preserve, enhance and leverage the value of our brand. Brand value is based in part on consumer perceptions. Those perceptions are affected by a variety of factors, including the nutritional content and preparation of our food, the ingredients we use, our business practices and the manner in which we source the commodities we use. Consumer acceptance of our offerings is subject to change for a variety of reasons, and some changes can occur rapidly. For example, nutritional, health and other scientific studies and conclusions, which constantly evolve and may have contradictory implications, drive popular opinion, litigation and regulation (including initiatives intended to drive consumer behavior) in ways that affect the IEO segment or perceptions of our brand generally or relative to available alternatives. Consumer perceptions may also be affected by third parties presenting or promoting adverse commentary or portrayals of the quick-service category of the IEO segment, our brand and/or our operations, our suppliers or our franchisees. If we are unsuccessful in addressing such adverse commentary or portrayals, our brand and our financial results may suffer.

Additionally, the ongoing relevance of our brand may depend on the success of our sustainability initiatives, which require System-wide coordination and alignment. If we are not effective in addressing social responsibility matters or achieving relevant sustainability goals, consumer trust in our brand may suffer. In particular, business incidents that erode consumer trust or confidence, particularly if such incidents receive considerable publicity or result in litigation, can significantly reduce brand value and have a negative impact on our financial results.

**Unfavorable general economic conditions could adversely affect our business and financial results.**

Our results of operations are substantially affected by economic conditions, which can vary significantly by market and can impact consumer disposable income levels and spending habits. Economic conditions can also be impacted by a variety of factors including hostilities, epidemics and actions taken by governments to manage national and international economic matters, whether through austerity or stimulus measures or trade measures, and initiatives intended to control wages, unemployment, credit availability, inflation, taxation and other economic drivers. Continued adverse economic conditions or adverse changes in economic conditions in our markets could pressure our operating performance, and our business and financial results may suffer.

Our results of operations are also affected by fluctuations in currency exchange rates, which may adversely affect reported earnings.

**Supply chain interruptions may increase costs or reduce revenues.**

We depend on the effectiveness of our supply chain management to assure reliable and sufficient product supply, including on favorable terms. Although many of the products we sell are sourced from a wide variety of suppliers in countries around the world, certain products have limited suppliers, which may increase our reliance on those suppliers. Supply chain interruptions, including shortages and transportation issues, and price increases can adversely affect us as well as our suppliers and franchisees whose performance may have a significant impact on our results. Such shortages or disruptions could be caused by factors beyond the control of our suppliers, franchisees or us. If we experience interruptions in our System's supply chain, our costs could increase and it could

limit the availability of products critical to our System's operations.

**Food safety concerns may have an adverse effect on our business.**

Our ability to increase sales and profits depends on our System's ability to meet expectations for safe food and on our ability to manage the potential impact on McDonald's of food-borne illnesses and food or product safety issues that may arise in the future. Food safety is a top priority, and we dedicate substantial resources to ensure that our customers enjoy safe food products, including as our menu evolves. However, food safety events, including instances of food-borne illness, have occurred in the food industry in the past, and could occur in the future. Instances of food tampering, food contamination or food-borne illness, whether actual or perceived, could adversely affect our brand and reputation as well as our revenues and profits.

**Our franchise business model presents a number of risks.**

Our success increasingly relies on the financial success and cooperation of our franchisees, yet we have limited influence over their operations. Our restaurant margins arise from two sources: fees from franchised restaurants (e.g., rent and royalties based on a percentage of sales) and, to a lesser degree, sales from Company-operated restaurants. Our franchisees manage their businesses independently, and therefore are responsible for the day-to-day operation of their restaurants. The revenues we realize from franchised restaurants are largely dependent on the ability of our franchisees to grow their sales. If our franchisees do not experience sales growth, our revenues and margins could be negatively affected as a result. Also, if sales trends worsen for franchisees, their financial results may deteriorate, which could result in, among other things, restaurant closures or delayed or reduced payments to us. Our refranchising effort will increase that dependence and the effect of those factors.

Our success also increasingly depends on the willingness and ability of our independent franchisees to implement major initiatives, which may include financial investment, and to remain aligned with us on operating, promotional and capital-intensive reinvestment plans. Franchisees' ability to contribute to the achievement of our plans is dependent in large part on the availability to them of funding at reasonable interest rates and may be negatively impacted by the financial markets in general or by the creditworthiness of our franchisees or the Company. Our operating performance could also be negatively affected if our franchisees experience food safety or other operational problems or project an image inconsistent with our brand and values, particularly if our contractual and other rights and remedies are limited, costly to exercise or subjected to litigation. If franchisees do not successfully operate restaurants in a manner consistent with our required standards, the brand's image and reputation could be harmed, which in turn could hurt our business and operating results.

Our ownership mix also affects our results and financial condition. The decision to own restaurants or to operate under franchise or license agreements is driven by many factors whose interrelationship is complex and changing. Our ability to achieve the benefits of our refranchising strategy, which involves a shift to a greater percentage of franchised restaurants, in a timely manner or at all, will depend on various factors, including our ability to timely and effectively select franchisees and/or licensees that meet our rigorous standards and/or to complete transactions on favorable terms and to manage associated risks. It will also depend on the performance of our franchisees, and whether the resulting ownership mix supports our financial objectives.

**Challenges with respect to talent management could harm our business.**

Effective succession planning is important to our long-term success. Failure effectively to identify, develop and retain key personnel, recruit high-quality candidates and ensure smooth management and personnel transitions could disrupt our business and adversely affect our results.

Our success depends in part on our System's ability to recruit, motivate and retain a qualified workforce to work in our restaurants in an intensely competitive environment. Increased costs associated with recruiting, motivating and retaining qualified employees to work in our Company-operated restaurants could have a negative impact on our Company-operated margins. Similar concerns apply to our franchisees.

We are also impacted by the costs and other effects of compliance with U.S. and international regulations affecting our workforce, which includes our staff and employees working in our Company-operated restaurants. These regulations are increasingly focused on employment issues, including wage and hour, healthcare, immigration, retirement and other employee benefits and workplace practices. Our potential exposure to reputational and other harm regarding our workplace practices or conditions or those of our independent franchisees or suppliers (or perceptions thereof) could have a negative impact on consumer perceptions of us and our business. Additionally, economic action, such as boycotts, protests, work stoppages or campaigns by labor organizations, could adversely affect us (including our ability to recruit and retain talent) or the franchisees and suppliers that are also part of the McDonald's System and whose performance may have a material impact on our results.

**Changes in commodity and other operating costs could adversely affect our results of operations.**

The profitability of our Company-operated restaurants depends in part on our ability to anticipate and react to changes in commodity costs, including food, paper, supply, fuel, utilities, distribution and other operating costs. Any volatility in certain commodity prices could adversely affect our operating results by impacting restaurant profitability. The commodity markets for some of the ingredients we use, such as beef and chicken, are particularly volatile due to factors such as seasonal shifts, climate conditions, industry demand, international commodity markets, food safety concerns, product recalls and government regulation, all of which are beyond our

control and, in many instances, unpredictable. We can only partially address future price risk through hedging and other activities, and therefore increases in commodity costs could have an adverse impact on our profitability.

**The global scope of our business subjects us to risks that could negatively affect our business.**

We encounter differing cultural, regulatory and economic environments within and among the more than 100 countries where McDonald's restaurants operate, and our ability to achieve our business objectives depends on the System's success in these environments. Meeting customer expectations is complicated by the risks inherent in our global operating environment, and our global success is partially dependent on our System's ability to leverage operating successes across markets. Planned initiatives may not have appeal across multiple markets with McDonald's customers and could drive unanticipated changes in customer perceptions and guest counts.

Disruptions in operations or price volatility in a market can also result from governmental actions, such as price, foreign exchange or changes in trade-related tariffs or controls, government-mandated closure of our, our franchisees' or our suppliers' operations, and asset seizures. The cost and disruption of responding to governmental investigations or inquiries, whether or not they have merit, may impact our results and could cause reputational or other harm. Our international success depends in part on the effectiveness of our strategies and brand-building initiatives to reduce our exposure to such governmental investigations or inquiries.

Additionally, challenges and uncertainties are associated with operating in developing markets, which may entail a relatively higher risk of political instability, economic volatility, crime, corruption and social and ethnic unrest. Such challenges may be exacerbated in many cases by a lack of an independent and experienced judiciary and uncertainties in how local law is applied and enforced, including in areas most relevant to commercial transactions and foreign investment. An inability to manage effectively the risks associated with our international operations could have a material adverse effect on our business and financial condition.

We may also face challenges and uncertainties in developed markets. For example, as a result of the U.K.'s decision to leave the European Union through a negotiated exit over a period of time, it is possible that there will be increased regulatory complexities, as well as potential referenda in the U.K. and/or other European countries, that could cause uncertainty in European or worldwide economic conditions. In the short term, the decision created volatility in certain foreign currency exchange rates, and the resulting depression in those exchange rates may continue. Any of these effects, and others we cannot anticipate, could adversely affect our business, results of operations, financial condition and cash flows.

**Changes in tax laws and unanticipated tax liabilities could adversely affect the taxes we pay and our profitability.**

We are subject to income and other taxes in the United States and foreign jurisdictions, and our operations, plans and results are affected by tax and other initiatives around the world. In particular, we are affected by the impact of changes to tax laws or policy or related authoritative interpretations, including to the extent that corporate tax reform becomes a key component of budgetary initiatives in the United States or elsewhere. We are also impacted by settlements of pending or any future adjustments proposed by taxing authorities outside of the U.S. or the IRS in connection with our tax audits, all of which will depend on their timing, nature and scope. Any increases in income tax rates, changes in income tax laws or unfavorable resolution of tax matters could have a material adverse impact on our financial results.

**Information technology system failures or interruptions or breaches of network security may interrupt our operations.**

We are increasingly reliant on technological systems, such as point-of-sale and other in-store systems or platforms, as well as technologies that facilitate communication and collaboration internally, with affiliated entities, or with independent third parties to conduct our business, including technology-enabled solutions provided to us by third parties. Any failure of these systems could significantly impact our operations and customer perceptions.

Despite the implementation of security measures, those technology systems and solutions could become vulnerable to damage, disability or failures due to theft, fire, power loss, telecommunications failure or other catastrophic events. The third party solutions also present the risks faced by the third party's business. If those systems or solutions were to fail or otherwise be unavailable, and we were unable to recover in a timely way, we could experience an interruption in our operations.

Furthermore, security breaches involving our systems, the systems of the parties we communicate or collaborate with, or those of third party providers may occur, such as unauthorized access, denial of service, computer viruses and other disruptive problems caused by hackers. Our information technology systems contain personal, financial and other information that is entrusted to us by our customers and employees as well as financial, proprietary and other confidential information related to our business. An actual or alleged security breach could result in system disruptions, shutdowns, theft or unauthorized disclosure of confidential information. The occurrence of any of these incidents could result in adverse publicity, loss of consumer confidence, reduced sales and profits, and criminal penalties or civil liabilities.

**Increasing regulatory complexity may adversely affect restaurant operations and our financial results.**

Our regulatory environment worldwide exposes us to complex compliance and similar risks that could affect our operations and results in material ways. In many of our markets, we are subject to increasing regulation, which has increased our cost of doing business. We are affected by the cost, compliance and other risks associated with the often conflicting and highly prescriptive regulations we face, including where inconsistent standards imposed by multiple governmental authorities can adversely affect our business and increase our

exposure to litigation or governmental investigations or proceedings.

Our success depends in part on our ability to manage the impact of new, potential or changing regulations that can affect our business plans and operations. These regulations include product packaging, marketing, the nutritional content and safety of our food and other products, labeling and other disclosure practices; and compliance efforts may be affected by ordinary variations in food preparation among our own restaurants and the need to rely on the accuracy and completeness of information from third-party suppliers (particularly given varying requirements and practices for testing and disclosure).

Additionally, we are working to manage the risks and costs to us, our franchisees and our supply chain of the effects of climate change, greenhouse gases, and diminishing energy and water resources. These risks include the increased public focus, including by governmental and nongovernmental organizations, on these and other environmental sustainability matters, such as packaging and waste, animal health and welfare, deforestation and land use. These risks also include the increased pressure to make commitments, set targets or establish additional goals and take actions to meet them. These risks could expose us to market, operational and execution costs or risks. If we are unable to effectively manage the risks associated with our complex regulatory environment, it could have a material adverse effect on our business and financial condition.

**We are subject to increasing legal complexity and could be party to litigation that could adversely affect us.**

Increasing legal complexity will continue to affect our operations and results in material ways. We could be subject to legal proceedings that may adversely affect our business, including class actions, administrative proceedings, government investigations, employment and personal injury claims, landlord/tenant disputes, disputes with current or former suppliers, claims by current or former franchisees and intellectual property claims (including claims that we infringed another party's trademarks, copyrights or patents).

Inconsistent standards imposed by governmental authorities can adversely affect our business and increase our exposure to regulatory proceedings or litigation.

Litigation involving our relationship with franchisees and the legal distinction between our franchisees and us for employment law purposes, if determined adversely, could increase costs, negatively impact the business prospects of our franchisees and subject us to incremental liability for their actions. Similarly, although our commercial relationships with our suppliers remain independent, there may be attempts to challenge that independence, which, if determined adversely, could also increase costs, negatively impact the business prospects of our suppliers, and subject us to incremental liability for their actions. We are also subject to legal and compliance risks and associated liability, such as in the areas of privacy and data collection, protection and management, as it relates to information we collect and share when we provide optional technology-related services and platforms to third parties.

Our operating results could also be affected by the following:

- The relative level of our defense costs, which vary from period to period depending on the number, nature and procedural status of pending proceedings;
- The cost and other effects of settlements, judgments or consent decrees, which may require us to make disclosures or take other actions that may affect perceptions of our brand and products;
- Adverse results of pending or future litigation, including litigation challenging the composition and preparation of our products, or the appropriateness or accuracy of our marketing or other communication practices; and
- The scope and terms of insurance or indemnification protections that we may have.

A judgment significantly in excess of any applicable insurance coverage or third party indemnity could materially adversely affect our financial condition or results of operations. Further, adverse publicity resulting from these claims may hurt our business.

**We may not be able to adequately protect our intellectual property or adequately ensure that we are not infringing the intellectual property of others, which could harm the value of the McDonald's brand and our business.**

The success of our business depends on our continued ability to use our existing trademarks and service marks in order to increase brand awareness and further develop our branded products in both domestic and international markets. We rely on a combination of trademarks, copyrights, service marks, trade secrets, patents and other intellectual property rights to protect our brand and branded products.

We have registered certain trademarks and have other trademark registrations pending in the United States and certain foreign jurisdictions. The trademarks that we currently use have not been registered in all of the countries outside of the United States in which we do business or may do business in the future and may never be registered in all of these countries. The steps we have taken to protect our intellectual property in the United States and foreign countries may not be adequate. In addition, the steps we have taken may not adequately ensure that we do not infringe the intellectual property of others, and third parties may claim infringement by us in the future. In particular, we may be involved in intellectual property claims, including often aggressive or opportunistic attempts to enforce patents used in information technology systems, which might affect our operations and results. Any claim of infringement, whether or not it has merit, could be time-consuming, result in costly litigation and harm our business.

We cannot ensure that franchisees and other third parties who hold licenses to our intellectual property will not take actions that hurt the value of our intellectual property.

**Changes in accounting standards or the recognition of impairment or other charges may adversely affect our future operations and results.**

New accounting standards or changes in financial reporting requirements, accounting principles or practices, including with respect to our critical accounting estimates, could adversely affect our future results. We may also be affected by the nature and timing of decisions about underperforming markets or assets, including decisions that result in impairment or other charges that reduce our earnings. In assessing the recoverability of our long-lived assets, we consider changes in economic conditions and make assumptions regarding estimated future cash flows and other factors. These estimates are highly subjective and can be significantly impacted by many factors such as global and local business and economic conditions, operating costs, inflation, competition, consumer and demographic trends, and our restructuring activities. If our estimates or underlying assumptions change in the future, we may be required to record impairment charges. If we experience any such changes, they could have a significant adverse effect on our reported results for the affected periods.

**A decrease in our credit ratings or an increase in our funding costs could adversely affect our profitability.**

Our credit ratings may be negatively affected by our results of operations or changes in our debt levels. As a result, our interest expense, the availability of acceptable counterparties, our ability to obtain funding on favorable terms, collateral requirements and our operating or financial flexibility could all be negatively affected, especially if lenders impose new operating or financial covenants.

Our operations may also be impacted by regulations affecting capital flows, financial markets or financial institutions, which can limit our ability to manage and deploy our liquidity or increase our funding costs. If any of these events were to occur, they could have a material adverse effect on our business and financial condition.

**Trading volatility and price of our common stock may be adversely affected by many factors.**

Many factors affect the volatility and price of our common stock in addition to our operating results and prospects. The most important of these factors, some of which are outside our control, are the following:

- The continuing unpredictable global economic and market conditions;
- Governmental action or inaction in light of key indicators of economic activity or events that can significantly influence financial markets, particularly in the United States, which is the principal trading market for our common stock, and media reports and commentary about economic or other matters, even when the matter in question does not directly relate to our business;
- Trading activity in our common stock or trading activity in derivative instruments with respect to our common stock or debt securities, which can be affected by market commentary (including commentary that may be unreliable or incomplete); unauthorized disclosures about our performance, plans or expectations about our business; our actual performance and creditworthiness; investor confidence, driven in part by expectations about our performance; actions by shareholders and others seeking to influence our business strategies; portfolio transactions in our stock by significant shareholders; or trading activity that results from the ordinary course rebalancing of stock indices in which McDonald's may be included, such as the S&P 500 Index and the Dow Jones Industrial Average;
- The impact of our stock repurchase program or dividend rate; and
- The impact on our results of corporate actions and market and third-party perceptions and assessments of such actions, such as those we may take from time to time as we implement our strategies in light of changing business, legal and tax considerations and evolve our corporate structure.

**Our results and prospects can be adversely affected by events such as severe weather conditions, natural disasters, hostilities and social unrest, among others.**

Severe weather conditions, natural disasters, hostilities and social unrest, terrorist activities, health epidemics or pandemics (or expectations about them) can adversely affect consumer spending and confidence levels and supply availability and costs, as well as the local operations in impacted markets, all of which can affect our results and prospects. Our receipt of proceeds under any insurance we maintain with respect to some of these risks may be delayed or the proceeds may be insufficient to cover our losses fully.