
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2023

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)

110 North Carpenter Street

Chicago, Illinois

(Address of Principal Executive Offices)

36-2361282

(I.R.S. Employer
Identification No.)

60607

(Zip Code)

(630) 623-3000

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	MCD	New York Stock Exchange

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 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 such files). Yes ☒ No ☐

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

725,342,030

(Number of shares of common stock
outstanding as of September 30, 2023)

McDONALD'S CORPORATION

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

In millions, except per share data	(unaudited) September 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and equivalents	\$ 3,496.3	\$ 2,583.8
Accounts and notes receivable	2,247.1	2,115.0
Inventories, at cost, not in excess of market	47.6	52.0
Prepaid expenses and other current assets	1,059.0	673.4
Total current assets	6,850.0	5,424.2
Other assets		
Investments in and advances to affiliates	1,037.9	1,064.5
Goodwill	2,965.2	2,900.4
Miscellaneous	5,062.6	4,707.2
Total other assets	9,065.7	8,672.1
Lease right-of-use asset, net	12,249.5	12,565.7
Property and equipment		
Property and equipment, at cost	41,967.0	41,037.6
Accumulated depreciation and amortization	(18,042.9)	(17,264.0)
Net property and equipment	23,924.1	23,773.6
Total assets	\$ 52,089.3	\$ 50,435.6
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 862.4	\$ 980.2
Lease liability	668.1	661.1
Income taxes	535.3	274.9
Other taxes	242.2	255.1
Accrued interest	346.4	393.4
Accrued payroll and other liabilities	1,348.3	1,237.4
Total current liabilities	4,002.7	3,802.1
Long-term debt	37,274.6	35,903.5
Long-term lease liability	11,807.2	12,134.4
Long-term income taxes	490.6	791.9
Deferred revenues - initial franchise fees	767.6	757.8
Other long-term liabilities	984.2	1,051.8
Deferred income taxes	1,617.2	1,997.5
Shareholders' equity (deficit)		
Preferred stock, no par value; authorized – 165.0 million shares; issued – none	—	—
Common stock, \$0.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares	16.6	16.6
Additional paid-in capital	8,824.5	8,547.1
Retained earnings	62,649.0	59,543.9
Accumulated other comprehensive income (loss)	(2,545.7)	(2,486.6)
Common stock in treasury, at cost; 935.3 and 929.3 million shares	(73,799.2)	(71,624.4)
Total shareholders' equity (deficit)	(4,854.8)	(6,003.4)
Total liabilities and shareholders' equity (deficit)	\$ 52,089.3	\$ 50,435.6

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Quarters Ended September 30,		Nine Months Ended September 30,	
In millions, except per share data	2023	2022	2023	2022
Revenues				
Sales by Company-operated restaurants	\$ 2,556.2	\$ 2,124.8	\$ 7,267.5	\$ 6,540.0
Revenues from franchised restaurants	4,047.1	3,671.2	11,567.9	10,460.8
Other revenues	88.9	76.1	252.1	255.3
Total revenues	6,692.2	5,872.1	19,087.5	17,256.1
Operating costs and expenses				
Company-operated restaurant expenses	2,135.0	1,779.6	6,149.4	5,508.6
Franchised restaurants-occupancy expenses	625.4	589.0	1,841.9	1,761.6
Other restaurant expenses	68.1	57.4	187.9	187.6
Selling, general & administrative expenses				
Depreciation and amortization	96.7	93.3	291.2	279.0
Other	583.5	576.4	1,704.3	1,771.9
Other operating (income) expense, net	(24.8)	12.5	68.0	959.1
Total operating costs and expenses	3,483.9	3,108.2	10,242.7	10,467.8
Operating income	3,208.3	2,763.9	8,844.8	6,788.3
Interest expense	340.7	306.2	1,000.6	884.1
Nonoperating (income) expense, net	(55.9)	(78.5)	(163.0)	417.7
Income before provision for income taxes	2,923.5	2,536.2	8,007.2	5,486.5
Provision for income taxes	606.4	554.6	1,577.4	1,212.5
Net income	\$ 2,317.1	\$ 1,981.6	\$ 6,429.8	\$ 4,274.0
Earnings per common share-basic	\$ 3.19	\$ 2.70	\$ 8.82	\$ 5.79
Earnings per common share-diluted	\$ 3.17	\$ 2.68	\$ 8.76	\$ 5.75
Dividends declared per common share	\$ 1.52	\$ 1.38	\$ 4.56	\$ 4.14
Weighted-average shares outstanding-basic	727.2	734.9	729.2	738.3
Weighted-average shares outstanding-diluted	731.6	739.5	733.8	743.0

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

In millions	Quarters Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
Net income	\$2,317.1	\$1,981.6	\$6,429.8	\$4,274.0
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments:				
Gain (loss) recognized in accumulated other comprehensive income ("AOCI"), including net investment hedges	(145.3)	(369.5)	(90.5)	(644.3)
Reclassification of (gain) loss to net income	—	—	—	504.1
Foreign currency translation adjustments-net of tax benefit (expense) of \$(97.5), \$(198.7), \$(43.7) and \$(435.7)	(145.3)	(369.5)	(90.5)	(140.2)
Cash flow hedges:				
Gain (loss) recognized in AOCI	50.0	101.4	43.1	231.8
Reclassification of (gain) loss to net income	0.5	(42.5)	(12.1)	(70.9)
Cash flow hedges-net of tax benefit (expense) of \$(13.7), \$(16.9), \$(8.4) and \$(46.2)	50.5	58.9	31.0	160.9
Defined benefit pension plans:				
Gain (loss) recognized in AOCI	4.7	(0.7)	9.9	(0.6)
Reclassification of (gain) loss to net income	—	(2.0)	(9.5)	(6.1)
Defined benefit pension plans-net of tax benefit (expense) of \$0.1, \$0.0, \$1.2 and \$0.1	4.7	(2.7)	0.4	(6.7)
Total other comprehensive income (loss), net of tax	(90.1)	(313.3)	(59.1)	14.0
Comprehensive income	\$2,227.0	\$1,668.3	\$6,370.7	\$4,288.0

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	Quarters Ended		Nine Months Ended	
	September 30, 2023	2022	September 30, 2023	2022
Operating activities				
Net income	\$ 2,317.1	\$ 1,981.6	\$ 6,429.8	\$ 4,274.0
Adjustments to reconcile to cash provided by operations				
Charges and credits:				
Depreciation and amortization	498.0	465.6	1,480.7	1,407.5
Deferred income taxes	(176.2)	(196.3)	(414.8)	(383.1)
Share-based compensation	42.9	38.3	137.8	130.9
Other	(105.9)	(45.6)	(183.1)	260.6
Changes in working capital items	453.1	190.3	(327.4)	(504.6)
Cash provided by operations	3,029.0	2,433.9	7,123.0	5,185.3
Investing activities				
Capital expenditures	(570.3)	(531.2)	(1,600.1)	(1,370.3)
Purchases of restaurant businesses	(91.9)	(152.3)	(303.5)	(349.5)
Sales of restaurant and other businesses	15.8	33.1	95.8	401.3
Sales of property	13.6	11.1	35.3	22.3
Other	(300.5)	(93.8)	(572.6)	(310.6)
Cash used for investing activities	(933.3)	(733.1)	(2,345.1)	(1,606.8)
Financing activities				
Net short-term borrowings	6.9	(305.4)	(137.4)	10.7
Long-term financing issuances	1,996.1	1,500.0	3,050.4	3,374.5
Long-term financing repayments	(0.5)	(0.4)	(1,377.4)	(2,201.8)
Treasury stock purchases	(1,054.4)	(869.2)	(2,202.5)	(3,406.9)
Common stock dividends	(1,104.7)	(1,014.7)	(3,324.7)	(3,056.7)
Proceeds from stock option exercises	62.2	62.4	210.9	168.3
Other	(41.8)	80.9	(7.7)	48.7
Cash used for financing activities	(136.2)	(546.4)	(3,788.4)	(5,063.2)
Effect of exchange rates on cash and cash equivalents	(88.8)	(198.6)	(77.0)	(396.2)
Cash and equivalents increase (decrease)	1,870.7	955.8	912.5	(1,880.9)
Cash and equivalents at beginning of period	1,625.6	1,872.5	2,583.8	4,709.2
Cash and equivalents at end of period	\$ 3,496.3	\$ 2,828.3	\$ 3,496.3	\$ 2,828.3

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)**For the nine months ended September 30, 2022**

<i>In millions, except per share data</i>	<i>Common stock issued</i>		<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive income (loss)</i>			<i>Common stock in treasury</i>		<i>Total shareholders' equity (deficit)</i>
	<i>Shares</i>	<i>Amount</i>			<i>Pensions</i>	<i>Cash flow hedges</i>	<i>Foreign currency translation</i>	<i>Shares</i>	<i>Amount</i>	
Balance at December 31, 2021	1,660.6	\$ 16.6	\$ 8,231.6	\$ 57,534.7	\$ (179.5)	\$ (24.8)	\$ (2,369.4)	(915.8)	\$ (67,810.2)	\$ (4,601.0)
Net income				4,274.0						4,274.0
Other comprehensive income (loss), net of tax					(6.7)	160.9	(140.2)			14.0
Comprehensive income										4,288.0
Common stock cash dividends (\$4.14 per share)				(3,056.7)						(3,056.7)
Treasury stock purchases								(14.1)	(3,486.8)	(3,486.8)
Share-based compensation			130.9							130.9
Stock option exercises and other			97.6					1.7	61.8	159.4
Balance at September 30, 2022	1,660.6	\$ 16.6	\$ 8,460.1	\$ 58,752.0	\$ (186.2)	\$ 136.1	\$ (2,509.6)	(928.2)	\$ (71,235.2)	\$ (6,566.2)

For the nine months ended September 30, 2023

<i>In millions, except per share data</i>	<i>Common stock issued</i>		<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive income (loss)</i>			<i>Common stock in treasury</i>		<i>Total shareholders' equity (deficit)</i>
	<i>Shares</i>	<i>Amount</i>			<i>Pensions</i>	<i>Cash flow hedges</i>	<i>Foreign currency translation</i>	<i>Shares</i>	<i>Amount</i>	
Balance at December 31, 2022	1,660.6	\$ 16.6	\$ 8,547.1	\$ 59,543.9	\$ (298.2)	\$ 30.7	\$ (2,219.1)	(929.3)	\$ (71,624.4)	\$ (6,003.4)
Net income				6,429.8						6,429.8
Other comprehensive income (loss), net of tax					0.4	31.0	(90.5)			(59.1)
Comprehensive income										6,370.7
Common stock cash dividends (\$4.56 per share)				(3,324.7)						(3,324.7)
Treasury stock purchases								(7.8)	(2,246.1)	(2,246.1)
Share-based compensation			137.8							137.8
Stock option exercises and other			139.6					1.8	71.3	210.9
Balance at September 30, 2023	1,660.6	\$ 16.6	\$ 8,824.5	\$ 62,649.0	\$ (297.8)	\$ 61.7	\$ (2,309.6)	(935.3)	\$ (73,799.2)	\$ (4,854.8)

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)**For the quarter ended September 30, 2022**

<i>In millions, except per share data</i>	<i>Common stock issued</i>		<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive income (loss)</i>			<i>Common stock in treasury</i>		<i>Total shareholders' equity (deficit)</i>
	<i>Shares</i>	<i>Amount</i>			<i>Pensions</i>	<i>Cash flow hedges</i>	<i>Foreign currency translation</i>	<i>Shares</i>	<i>Amount</i>	
Balance at June 30, 2022	1,660.6	\$ 16.6	\$ 8,378.7	\$ 57,785.1	\$ (183.5)	\$ 77.2	\$ (2,140.1)	(924.9)	\$ (70,303.8)	\$ (6,369.8)
Net income				1,981.6						1,981.6
Other comprehensive income (loss), net of tax					(2.7)	58.9	(369.5)			(313.3)
Comprehensive income										1,668.3
Common stock cash dividends (\$1.38 per share)				(1,014.7)						(1,014.7)
Treasury stock purchases								(3.7)	(949.1)	(949.1)
Share-based compensation			38.3							38.3
Stock option exercises and other			43.1					0.4	17.7	60.8
Balance at September 30, 2022	1,660.6	\$ 16.6	\$ 8,460.1	\$ 58,752.0	\$ (186.2)	\$ 136.1	\$ (2,509.6)	(928.2)	\$ (71,235.2)	\$ (6,566.2)

For the quarter ended September 30, 2023

<i>In millions, except per share data</i>	<i>Common stock issued</i>		<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive income (loss)</i>			<i>Common stock in treasury</i>		<i>Total shareholders' equity (deficit)</i>
	<i>Shares</i>	<i>Amount</i>			<i>Pensions</i>	<i>Cash flow hedges</i>	<i>Foreign currency translation</i>	<i>Shares</i>	<i>Amount</i>	
Balance at June 30, 2023	1,660.6	\$ 16.6	\$ 8,735.8	\$61,436.6	\$ (302.5)	\$ 11.2	\$ (2,164.3)	(931.9)	\$ (72,732.5)	\$ (4,999.1)
Net income				2,317.1						2,317.1
Other comprehensive income (loss), net of tax					4.7	50.5	(145.3)			(90.1)
Comprehensive income										2,227.0
Common stock cash dividends (\$1.52 per share)				(1,104.7)						(1,104.7)
Treasury stock purchases								(3.6)	(1,083.1)	(1,083.1)
Share-based compensation			42.9							42.9
Stock option exercises and other			45.8					0.2	16.4	62.2
Balance at September 30, 2023	1,660.6	\$ 16.6	\$ 8,824.5	\$62,649.0	\$ (297.8)	\$ 61.7	\$ (2,309.6)	(935.3)	\$ (73,799.2)	\$ (4,854.8)

See Notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

McDonald's Corporation, the registrant, together with its subsidiaries, is referred to herein as the "Company." The Company, its franchisees and suppliers, are referred to herein as the "System."

Basis of Presentation

The accompanying condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements contained in the Company's December 31, 2022 Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. The results for the quarter and nine months ended September 30, 2023 do not necessarily indicate the results that may be expected for the full year.

Restaurant Information

The following table presents restaurant information by ownership type:

Restaurants at September 30,	2023	2022
Conventional franchised	21,761	21,641
Developmental licensed	8,450	8,144
Foreign affiliated	8,843	8,145
Total Franchised	39,054	37,930
Company-operated	2,144	2,050
Total Systemwide restaurants	41,198	39,980

The results of operations of restaurant businesses purchased and sold in transactions with franchisees were not material either individually or in the aggregate to the accompanying condensed consolidated financial statements for the periods prior to purchase and sale.

Per Common Share Information

Diluted earnings per common share is calculated as net income divided by diluted weighted-average shares. Diluted weighted-average shares include weighted-average shares outstanding plus the dilutive effect of share-based compensation, calculated using the treasury stock method, of 4.4 million shares and 4.6 million shares for the quarters ended 2023 and 2022, respectively, and 4.6 million shares and 4.7 million shares for the nine months ended 2023 and 2022, respectively. Share-based compensation awards that would have been antidilutive, and therefore were not included in the calculation of diluted weighted-average shares, totaled 1.2 million shares and 1.5 million shares for the quarters ended 2023 and 2022, respectively, and 2.1 million shares and 1.5 million shares for the nine months ended 2023 and 2022, respectively.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements during the quarter and nine months ended September 30, 2023 that are of significance or potential significance to the Company.

Accelerating the Organization

In January 2023, the Company announced an evolution of its successful *Accelerating the Arches* strategy. Enhancements to the strategy include the addition of Restaurant Development to the Company's growth pillars and an internal effort to modernize ways of working, *Accelerating the Organization*, both of which are aimed at elevating the Company's performance. *Accelerating the Organization* is designed to unlock further growth as the Company focuses on becoming faster, more innovative and more efficient for the benefit of our customers and people.

The Company expects to incur about \$250 million of costs related to *Accelerating the Organization* in 2023, of which \$220 million was incurred in the nine months ended September 30, 2023. These costs were recorded in the Other operating (income) expense, net line within the consolidated statement of income. Restructuring costs primarily consist of employee termination benefits, costs to terminate contracts, including lease terminations, and professional services and other costs. Professional services and other costs primarily relate to expenses incurred for legal and consulting activities. There were no significant non-cash impairment charges included in the amounts listed in the table below.

The following table summarizes the balance of accrued expenses related to this strategic initiative (in millions):

	Employee Termination Benefits	Costs to Terminate Contracts	Other Related Costs	Total
2023				
Beginning Balance	\$ —	\$ —	\$ —	\$ —
Restructuring Costs Incurred	110.3	26.9	43.3	180.5
Cash Payments	(1.5)	(1.4)	(0.3)	(3.2)
Other Non-Cash Items	—	—	(14.1)	(14.1)
Accrued Balance at March 31, 2023	\$ 108.8	\$ 25.5	\$ 28.9	\$ 163.2
Restructuring Costs Incurred	(8.8)	5.6	21.9	18.7
Cash Payments	(27.7)	(11.7)	(46.8)	(86.2)
Other Non-Cash Items	—	—	(2.5)	(2.5)
Accrued Balance at June 30, 2023	\$ 72.3	\$ 19.4	\$ 1.5	\$ 93.2
Restructuring Costs Incurred	(0.9)	—	21.4	20.5
Cash Payments	(13.0)	(7.4)	(15.3)	(35.7)
Other Non-Cash Items	(2.5)	—	0.1	(2.4)
Accrued Balance at September 30, 2023	\$ 55.9	\$ 12.0	\$ 7.7	\$ 75.6

Of the \$220 million of restructuring costs incurred in the nine months ended September 30, 2023, \$62 million was recorded in the U.S., \$71 million was recorded in the International Operated Markets segment and \$87 million was recorded in the International Developmental Licensed Markets & Corporate segment, the majority of which was recorded at Corporate.

Substantially all of the accrued restructuring balance recorded at September 30, 2023, related to the Company's *Accelerating the Organization* initiative, is expected to be paid out over the next twelve months.

As part of *Accelerating the Organization*, the Company is also in the initial stages of developing a strategy that will utilize an enterprise-wide Global Business Services model to deliver business services at scale with greater efficiency. The Company has started to incur costs associated with this strategy and additional costs will be incurred as the strategy progresses; however, at this point in time these future costs cannot be estimated. The expectation is that the Company will complete the majority of its Global Business Services strategy by the end of 2027.

Income Taxes

The effective income tax rate was 20.7% and 21.9% for the quarters ended 2023 and 2022, respectively, and 19.7% and 22.1% for the nine months ended 2023 and 2022, respectively.

The effective tax rate for the nine months 2022 reflected \$239 million of net tax benefits related to the sale of the Company's Russia and Dynamic Yield businesses and the unfavorable impact of the non-deductible \$537 million of nonoperating expense related to the settlement of a tax audit in France.

Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs. There were no significant changes to the valuation techniques used to measure fair value as described in the Company's December 31, 2022 Annual Report on Form 10-K.

At September 30, 2023, the fair value of the Company's debt obligations was estimated at \$34.0 billion, compared to a carrying amount of \$37.3 billion. The fair value of debt obligations is based upon quoted market prices, classified as Level 2 within the valuation hierarchy. The carrying amount of cash and equivalents and notes receivable approximate fair value.

Financial Instruments and Hedging Activities

The Company is exposed to global market risks, including the effect of changes in interest rates and foreign currency fluctuations. The Company uses foreign currency denominated debt and derivative instruments to mitigate the impact of these changes. The Company does not hold or issue derivatives for trading purposes.

The following table presents the fair values of derivative instruments included on the condensed consolidated balance sheet:

<i>In millions</i>	Derivative Assets			Derivative Liabilities		
	Balance Sheet Classification	September 30, 2023	December 31, 2022	Balance Sheet Classification	September 30, 2023	December 31, 2022
Derivatives designated as hedging instruments						
Foreign currency	Prepaid expenses and other current assets	\$ 47.2	\$ 53.3	Accrued payroll and other liabilities	\$ (4.9)	\$ (17.9)
Interest rate	Prepaid expenses and other current assets	11.7	—	Accrued payroll and other liabilities	(5.8)	—
Foreign currency	Miscellaneous other assets	19.7	28.7	Other long-term liabilities	(0.1)	(30.7)
Interest rate	Miscellaneous other assets	—	—	Other long-term liabilities	(80.0)	(91.5)
Total derivatives designated as hedging instruments		\$ 78.6	\$ 82.0		\$ (90.8)	\$ (140.1)
Derivatives not designated as hedging instruments						
Equity	Prepaid expenses and other current assets	\$ —	\$ 200.5	Accrued payroll and other liabilities	\$ —	\$ —
Foreign currency	Prepaid expenses and other current assets	5.1	—	Accrued payroll and other liabilities	—	(1.6)
Equity	Miscellaneous other assets	166.5	—			
Total derivatives not designated as hedging instruments		\$ 171.6	\$ 200.5		\$ —	\$ (1.6)
Total derivatives		\$ 250.2	\$ 282.5		\$ (90.8)	\$ (141.7)

The following table presents the pre-tax amounts from derivative instruments affecting income and AOCI for the nine months ended September 30, 2023 and 2022, respectively:

<i>In millions</i>	Location of gain or loss recognized in income on derivative	Gain (loss) recognized in AOCI		Gain (loss) reclassified into income from AOCI		Gain (loss) recognized in income on derivative	
		2023	2022	2023	2022	2023	2022
Foreign currency	Nonoperating income/expense	\$ 32.8	\$ 214.5	\$ 14.9	\$ 94.4		
Interest rate	Interest expense	22.0	83.9	0.5	(3.0)		
Cash flow hedges		\$ 54.8	\$ 298.4	\$ 15.4	\$ 91.4		
Foreign currency denominated debt	Nonoperating income/expense	\$ 157.2	\$ 1,917.0				
Foreign currency derivatives	Nonoperating income/expense	64.9	37.1				
Foreign currency derivatives ⁽¹⁾	Interest expense					\$ 18.4	\$ 6.6
Net investment hedges		\$ 222.1	\$ 1,954.1			\$ 18.4	\$ 6.6
Foreign currency	Nonoperating income/expense					\$ 6.7	\$ 15.9
Equity	Selling, general & administrative expenses					\$ 4.6	\$ (50.4)
Undesignated derivatives						\$ 11.3	\$ (34.5)

⁽¹⁾The amount of gain (loss) recognized in income related to components excluded from effectiveness testing.

Fair Value Hedges

The Company enters into fair value hedges to reduce the exposure to changes in fair values of certain liabilities. The Company enters into fair value hedges that convert a portion of its fixed rate debt into floating rate debt by the use of interest rate swaps. At September 30, 2023, the carrying amount of fixed-rate debt that was effectively converted was an equivalent notional amount of \$1.0 billion, which included a decrease of \$85.8 million of cumulative hedging adjustments. For the nine months ended September 30, 2023, the Company recognized a \$5.7 million gain on the fair value of interest rate swaps, and a corresponding loss on the fair value of the related hedged debt instrument to interest expense.

Cash Flow Hedges

The Company enters into cash flow hedges to reduce the exposure to variability in certain expected future cash flows. To protect against the reduction in value of forecasted foreign currency cash flows (such as royalties denominated in foreign currencies), the Company uses foreign currency forwards to hedge a portion of anticipated exposures. The hedges cover up to the next 18 months for certain exposures and are denominated in various currencies. As of September 30, 2023, the Company had foreign currency derivatives outstanding with an equivalent notional amount of \$1.6 billion that hedged a portion of forecasted foreign currency denominated cash flows.

To protect against the variability of interest rates on anticipated bond issuances, the Company may use treasury locks to hedge a portion of expected future cash flows. As of September 30, 2023, the Company had derivatives outstanding with a notional amount of \$150.0 million that hedge a portion of forecasted cash flows.

Based on market conditions at September 30, 2023, the \$61.7 million in cumulative cash flow hedging gains, after tax, is not expected to have a significant effect on the Company's earnings over the next 12 months.

Net Investment Hedges

The Company uses foreign currency denominated debt (third-party and intercompany) and foreign currency derivatives to hedge its investments in certain foreign subsidiaries and affiliates. Realized and unrealized translation adjustments from these hedges are included in shareholders' equity in the foreign currency translation component of Other comprehensive income ("OCI") and offset translation adjustments on the underlying net assets of foreign subsidiaries and affiliates, which also are recorded in OCI. As of September 30, 2023, \$12.7 billion of the Company's third-party foreign currency denominated debt, \$359.6 million of the Company's intercompany foreign currency denominated debt and \$572.6 million of foreign currency derivatives were designated to hedge investments in certain foreign subsidiaries and affiliates.

Undesignated Hedges

The Company enters into certain derivatives that are not designated for hedge accounting. Therefore, the changes in the fair value of these derivatives are recognized immediately in earnings together with the gain or loss from the hedged balance sheet position. As an example, the Company enters into equity derivative contracts, including total return swaps, to hedge market-driven changes in certain of its supplemental benefit plan liabilities. The Company may also use certain investments to hedge changes in these liabilities. Changes in the fair value of these derivatives or investments are recorded in Selling, general & administrative expenses together with the changes in the supplemental benefit plan liabilities. In addition, the Company uses foreign currency forwards to mitigate the change in fair value of certain foreign currency denominated assets and liabilities. Changes in the fair value of these derivatives are recognized in Nonoperating (income) expense, net, together with the currency gain or loss from the hedged balance sheet position.

Credit Risk

The Company is exposed to credit-related losses in the event of non-performance by its derivative counterparties. The Company did not have significant exposure to any individual counterparty at September 30, 2023 and has master agreements that contain netting arrangements. For financial reporting purposes, the Company presents gross derivative balances in its financial statements and supplementary data, including for counterparties subject to netting arrangements. Some of these agreements also require each party to post collateral if credit ratings fall below, or aggregate exposures exceed, certain contractual limits. At September 30, 2023, the Company was required to post \$103.6 million of collateral due to the negative fair value of certain derivative positions. The Company's counterparties were not required to post collateral on any derivative position, other than on certain hedges of the Company's supplemental benefit plan liabilities where the counterparties were required to post collateral on their liability positions.

Franchise Arrangements

Revenues from franchised restaurants consisted of:

In millions	Quarters Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Rents	\$ 2,569.6	\$ 2,357.5	\$ 7,348.2	\$ 6,713.8
Royalties	1,461.9	1,300.7	4,175.2	3,709.0
Initial fees	15.6	13.0	44.5	38.0
Revenues from franchised restaurants	\$ 4,047.1	\$ 3,671.2	\$ 11,567.9	\$ 10,460.8

Segment Information

The Company operates under an organizational structure with the following global business segments reflecting how management reviews and evaluates operating performance:

- U.S. - the Company's largest market. The segment is 95% franchised as of September 30, 2023.
- International Operated Markets - comprised of markets or countries in which the Company operates and franchises restaurants, including Australia, Canada, France, Germany, Italy, Poland, Spain and the U.K. The segment is 89% franchised as of September 30, 2023. During the second quarter of 2022, the Company completed the sale of its business in Russia, resulting in a total exit from the market.
- International Developmental Licensed Markets & Corporate - comprised primarily of developmental licensee and affiliate markets in the McDonald's System. Corporate activities are also reported in this segment. The segment is 98% franchised as of September 30, 2023.

The following table presents the Company's revenues and operating income by segment:

In millions	Quarters Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Revenues				
U.S.	\$ 2,704.0	\$ 2,456.6	\$ 7,892.9	\$ 7,042.2
International Operated Markets	3,300.5	2,817.8	9,250.8	8,487.4
International Developmental Licensed Markets & Corporate	687.7	597.7	1,943.8	1,726.5
Total revenues	\$ 6,692.2	\$ 5,872.1	\$ 19,087.5	\$ 17,256.1
Operating Income				
U.S.	\$ 1,477.8	\$ 1,326.6	\$ 4,267.8	\$ 3,797.5
International Operated Markets	1,584.5	1,374.4	4,294.7	2,639.9
International Developmental Licensed Markets & Corporate	146.0	62.9	282.3	350.9
Total operating income*	\$ 3,208.3	\$ 2,763.9	\$ 8,844.8	\$ 6,788.3

* Results for the quarter and nine months 2023 reflected pre-tax charges of \$26 million and \$224 million, respectively, primarily related to restructuring costs associated with *Accelerating the Organization*. Results for the nine months 2022 reflected \$1,281 million of pre-tax charges related to the sale of the Company's business in Russia and a pre-tax gain of \$271 million related to the Company's sale of its Dynamic Yield business.

Subsequent Events

The Company evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission. There were no subsequent events that required recognition or disclosure.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company franchises and operates McDonald's restaurants, which serve a locally relevant menu of quality food and beverages in communities across more than 100 countries. Of the 41,198 McDonald's restaurants at September 30, 2023, approximately 95% were franchised.

The Company's reporting segments are aligned with its strategic priorities and reflect how management reviews and evaluates operating performance. Significant reportable segments include the United States ("U.S.") and International Operated Markets. In addition, there is the International Developmental Licensed Markets & Corporate segment, which includes the results of over 75 countries, as well as Corporate activities.

McDonald's franchised restaurants are owned and operated under one of the following structures - conventional franchise, developmental license or affiliate. The optimal ownership structure for an individual restaurant, trading area or market (country) is based on a variety of factors, including the availability of individuals with entrepreneurial experience and financial resources, as well as the local legal and regulatory environment in critical areas such as property ownership and franchising. The business relationship between the Company and its independent franchisees is supported by adhering to standards and policies, including McDonald's Global Brand Standards, and is of fundamental importance to overall performance and to protecting the McDonald's brand.

The Company is primarily a franchisor and believes franchising is paramount to delivering great-tasting food, locally relevant customer experiences and driving profitability. Franchising enables an individual to be their own employer and maintain control over all employment related matters, marketing and pricing decisions, while also benefiting from the strength of McDonald's global brand, operating system and financial resources.

Directly operating McDonald's restaurants contributes significantly to the Company's ability to act as a credible franchisor. One of the strengths of the franchising model is that the expertise from operating Company-owned restaurants allows McDonald's to improve the operations and success of all restaurants while innovations from franchisees can be tested and, when viable, efficiently implemented across relevant restaurants. Having Company-owned and operated restaurants provides Company personnel with a venue for restaurant operations training experience. In addition, in our Company-owned and operated restaurants, and in collaboration with franchisees, the Company is able to further develop and refine operating standards, marketing concepts and product and pricing strategies that will ultimately benefit McDonald's restaurants.

The Company's revenues consist of sales by Company-operated restaurants and fees from franchised restaurants operated by conventional franchisees, developmental licensees and affiliates. Fees vary by type of site, amount of Company investment, if any, and local business conditions. These fees, along with occupancy and operating rights, are stipulated in franchise/license agreements that generally have 20-year terms. The Company's Other revenues are comprised of fees paid by franchisees to recover a portion of costs incurred by the Company for various technology platforms, revenues from brand licensing arrangements to market and sell consumer packaged goods using the McDonald's brand and, for periods prior to its sale on April 1, 2022, third-party revenues for the Company's Dynamic Yield business.

Conventional Franchise

Under a conventional franchise arrangement, the Company generally owns or secures a long-term lease on the land and building for the restaurant location and the franchisee pays for equipment, signs, seating and décor. The Company believes that ownership of real estate, combined with the co-investment by franchisees, enables it to achieve restaurant performance levels that are among the highest in the industry.

Franchisees are responsible for reinvesting capital in their businesses over time. In addition, to accelerate implementation of certain initiatives, the Company may co-invest with franchisees to fund improvements to their restaurants or operating systems. These investments, developed in collaboration with franchisees, are designed to cater to consumer preferences, improve local business performance and increase the value of the McDonald's brand through the development of modernized, more attractive and higher revenue generating restaurants.

The Company requires franchisees to meet rigorous standards and generally does not work with passive investors. The business relationship with franchisees is designed to facilitate consistency and high quality at all McDonald's restaurants. Conventional franchisees contribute to the Company's revenue, primarily through the payment of rent and royalties based upon a percent of sales, with specified minimum rent payments, along with initial fees paid upon the opening of a new restaurant or grant of a new franchise. The Company's heavily franchised business model is designed to generate stable and predictable revenue, which is largely a function of franchisee sales, and resulting cash flow streams.

Developmental License or Affiliate

Under a developmental license or affiliate arrangement, licensees are responsible for operating and managing their businesses, providing capital (including the real estate interest) and developing and opening new restaurants. The Company generally does not invest

any capital under a developmental license or affiliate arrangement, and it receives a royalty based on a percent of sales, and generally receives initial fees upon the opening of a new restaurant or grant of a new license.

While developmental license and affiliate arrangements are largely the same, affiliate arrangements are used in a limited number of foreign markets (primarily China and Japan) within the International Developmental Licensed Markets segment as well as a limited number of individual restaurants within the International Operated Markets segment, where the Company also has an equity investment and records its share of net results in equity in earnings of unconsolidated affiliates.

Strategic Direction

The Company's growth strategy, *Accelerating the Arches* (the "Strategy"), encompasses all aspects of McDonald's business as the leading global omni-channel restaurant brand. The Strategy reflects the Company's purpose, mission and values, as well as growth pillars that build on the Company's competitive advantages.

Purpose, Mission and Values

The following purpose, mission and values underpin the Company's success and are at the heart of the Strategy.

Through its size and scale, the Company embraces and prioritizes its role and commitment to the communities in which it operates through its purpose to feed and foster communities, and its mission to create delicious feel-good moments for everyone. The Company is guided by five core values that define who it is and how it runs its business across the three-legged stool of franchisees, suppliers and employees:

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

The Company believes that its people, all around the world, set it apart and bring these values to life on a daily basis.

Growth Pillars

The following growth pillars, M-C-D, build on the Company's historic strengths and articulate areas of further opportunity. Under the Strategy, the Company will:

- **Maximize our Marketing** by investing in new, culturally relevant approaches, grounded in fan truths, to effectively communicate the story of the Company's brand, food and purpose. This is exemplified by campaigns that elevate the entire brand and continue to be repeated and scaled around the globe, connecting with customers in authentic and relatable ways. The Company is committed to a marketing strategy that highlights value at every tier of the menu, as affordability remains a cornerstone of the McDonald's brand and is especially important to customers in uncertain economic environments.
- **Commit to the Core** menu by tapping into customer demand for the familiar and focusing on serving the Company's iconic products, such as its World Famous Fries, the Big Mac, Chicken McNuggets and the McFlurry. Globally, the Company possesses over 10 of these "billion-dollar brand equities." The Company continues to improve on its classics, including by implementing a series of operational and formulation changes designed to deliver hotter, juicer, tastier burgers around the globe. While leaning into core icons like Chicken McNuggets, the Company will continue to focus on scaling emerging equities such as the McSpicy and McCrispy Chicken Sandwiches. The Company also continues to see a significant opportunity with coffee, demonstrated by markets leveraging the McCafé brand, customer experience, value and quality to drive long-term growth.
- **Double Down on the 4D's: Digital, Delivery, Drive Thru and, the recently added, Restaurant Development** by leveraging the Company's competitive strengths and building a powerful digital experience growth engine to deliver a personalized and convenient customer experience. To unlock further growth, the Company expects to continue to accelerate the pace of restaurant openings and technology innovation so that whenever and however customers choose to interact with McDonald's, they can enjoy a fast, easy experience that meets their needs. In the third quarter of 2023, digital channels (the mobile app, delivery and kiosk) comprised over 40% of Systemwide sales in the Company's top six markets, representing nearly \$9 billion in digital Systemwide sales.

- **Digital:** The Company's digital experience growth engine — "MyMcDonald's" — is transforming its offerings across drive thru, takeaway, delivery, curbside pick-up and dine-in. Through the digital tools, customers can access personalized offers, participate in a loyalty program, order through the mobile app and receive McDonald's food through the channel of their choice. In the U.S., we are piloting a digital enhancement that enables crew to begin assembling a customer's mobile order prior to their arrival at the restaurant to expedite service and elevate customer satisfaction. Additionally, the Company has successful loyalty programs in over 50 markets around the world, including all of its top six markets. The Company's loyalty customers have proven to be highly engaged, with over 57 million active loyalty members across the Company's top six markets during the third quarter of 2023, including over 33 million in the U.S.
- **Delivery:** Delivery is offered in over 35,000 restaurants across about 100 markets, representing over 85% of McDonald's restaurants. The Company is continuing to build on and enhance the delivery experience for customers, including by adding the ability to place a delivery order on the McDonald's mobile app (a feature that is available in some of the Company's largest markets, including the U.S., the U.K., Canada and Australia). The Company has also put in place long-term strategic partnerships with delivery providers that continue to benefit the Company, customers and franchisees by optimizing operational efficiencies and creating a seamless customer experience.
- **Drive Thru:** The Company has drive thru locations in over 27,000 restaurants globally, including nearly 95% of the approximately 13,500 locations in the U.S. This channel remains a competitive advantage in meeting customers' demand for flexibility and choice. The Company continues to build on its drive thru advantage, as the vast majority of new restaurant openings in the U.S. and International Operated Markets will include a drive thru.
- **Restaurant Development:** The Company expects to continue to accelerate the pace of restaurant openings, with plans to open approximately 2,000 new restaurants across the globe in 2023, which will contribute to nearly 4% unit growth (net of closures). The Company believes there is opportunity for further growth in many of its largest markets and to explore new formats under the McDonald's brand over the coming years.

Foundation

Foundational to the Strategy is keeping the customer and restaurant crew at the center of everything the Company does, along with a relentless focus on running great restaurants, empowering its people and continuing to modernize our ways of working through *Accelerating the Organization*.

These efforts include continued investments in digital, innovation and the Global Business Services organization, which are designed to enhance the customer experience and deliver long-term profitable growth for all stakeholders. The Strategy is aligned with the Company's capital allocation philosophy of investing in opportunities to grow the business, for example through new restaurants and reinvesting in existing restaurants, and returning free cash flow to shareholders over time through dividends and share repurchases.

The Company believes the Strategy builds on its inherent strengths by harnessing its competitive advantages while leveraging its size, scale, agility and power of the McDonald's brand to adapt and adjust to an uncertain macroenvironment to meet customer demands. The Strategy is supported by a strong global senior leadership team aimed at executing against the MCD growth pillars and accelerating the Company's broad-based business momentum.

Third Quarter and Nine Months 2023 Financial Performance

Global comparable sales increased 8.8% for the quarter and 11.0% for the nine months.

- U.S. comparable sales increased 8.1% for the quarter and 10.3% for the nine months. Comparable sales results for both periods benefited from strategic menu price increases. Successful restaurant level execution, culturally relevant brand and marketing campaigns and continued digital and delivery growth contributed to strong comparable sales results.
- International Operated Markets segment comparable sales increased 8.3% for the quarter and 10.9% for the nine months. Segment performance in both periods was driven by strong comparable sales in most markets, led by the U.K., Germany and Canada.
- International Developmental Licensed Markets segment comparable sales increased 10.5% for the quarter and 12.3% for the nine months. Both periods reflected strong comparable sales in all geographic regions.

In addition to the comparable sales results, the Company had the following financial results for the quarter and nine months:

- Consolidated revenues increased 14% (11% in constant currencies) for the quarter and 11% (11% in constant currencies) for the nine months.
- Systemwide sales increased 11% (10% in constant currencies) for the quarter and 11% (12% in constant currencies) for the nine months.

- Consolidated operating income increased 16% (13% in constant currencies) for the quarter and 30% (31% in constant currencies) for the nine months. Excluding current and prior year charges and gains detailed in the Operating Income and Operating Margin section on page 29 of this report, consolidated operating income increased 16% (17% in constant currencies) for the nine months.
- Diluted earnings per share was \$3.17 for the quarter, an increase of 18% (15% in constant currencies) and \$8.76 for the nine months, an increase of 52% (53% in constant currencies). Excluding current and prior year items detailed in the Net Income and Diluted Earnings Per Share section on page 22 of this report, diluted earnings per share for the nine months was \$8.99, an increase of 20% (20% in constant currencies).

Management reviews and analyzes business results excluding the effect of foreign currency translation, impairment and other strategic charges and gains, as well as material regulatory and other income tax impacts, and bases incentive compensation plans on these results because the Company believes this better represents underlying business trends.

The Following Definitions Apply to these Terms as Used Throughout this Report:

- Constant currency results exclude the effects of foreign currency translation and are calculated by translating current year results at prior year average exchange rates. Management reviews and analyzes business results excluding the effect of foreign currency translation, impairment and other charges and gains, as well as material regulatory and other income tax impacts, and bases incentive compensation plans on these results because the Company believes this better represents underlying business trends.
- Comparable sales and comparable guest counts are compared to the same period in the prior year and represent sales and transactions, respectively, at all restaurants, whether operated by the Company or by franchisees, in operation at least thirteen months including those temporarily closed. Some of the reasons restaurants may be temporarily closed include reimaging or remodeling, rebuilding, road construction, natural disasters, pandemics and acts of war, terrorism or other hostilities. Restaurants in Russia were treated as permanently closed as of April 1, 2022 and therefore excluded from the calculation of comparable sales and comparable guest counts beginning in the second quarter of 2022. Comparable sales exclude the impact of currency translation and the sales of any market considered hyperinflationary (generally identified as those markets whose cumulative inflation rate over a three-year period exceeds 100%), which management believes more accurately reflects the underlying business trends. Beginning in the first quarter of 2023, McDonald's excluded results from Argentina and Lebanon in the calculation of comparable sales due to hyperinflation (Venezuela continues to be excluded). Comparable sales are driven by changes in guest counts and average check, the latter of which is affected by changes in pricing and product mix.
- Systemwide sales include sales at all restaurants, whether operated by the Company or by franchisees. This includes sales from digital channels, which are comprised of the mobile app, delivery and kiosk at both Company-operated and franchised restaurants. While franchised sales are not recorded as revenues by the Company, management believes the information is important in understanding the Company's financial performance because these sales are the basis on which the Company calculates and records franchised revenues and are indicative of the financial health of the franchisee base. The Company's revenues consist of sales by Company-operated restaurants and fees from franchised restaurants operated by conventional franchisees, developmental licensees and affiliates. Changes in Systemwide sales are primarily driven by comparable sales and net restaurant unit expansion.
- Free cash flow, defined as cash provided by operations less capital expenditures, and free cash flow conversion rate, defined as free cash flow divided by net income, are measures reviewed by management in order to evaluate the Company's ability to convert net profits into cash resources, after reinvesting in the core business, that can be used to pursue opportunities to enhance shareholder value.

CONSOLIDATED OPERATING RESULTS

Dollars in millions, except per share data	Quarter Ended September 30, 2023		Nine Months Ended September 30, 2023	
	Amount	Increase/ (Decrease)	Amount	Increase/ (Decrease)
Revenues				
Sales by Company-operated restaurants	\$ 2,556.2	20 %	\$ 7,267.5	11 %
Revenues from franchised restaurants	4,047.1	10	11,567.9	11
Other revenues	88.9	17	252.1	(1)
Total revenues	6,692.2	14	19,087.5	11
Operating costs and expenses				
Company-operated restaurant expenses	2,135.0	20	6,149.4	12
Franchised restaurants-occupancy expenses	625.4	6	1,841.9	5
Other restaurant expenses	68.1	19	187.9	—
Selling, general & administrative expenses				
Depreciation and amortization	96.7	4	291.2	4
Other	583.5	1	1,704.3	(4)
Other operating (income) expense, net	(24.8)	n/m	68.0	(93)
Total operating costs and expenses	3,483.9	12	10,242.7	(2)
Operating income	3,208.3	16	8,844.8	30
Interest expense	340.7	11	1,000.6	13
Nonoperating (income) expense, net	(55.9)	(29)	(163.0)	n/m
Income before provision for income taxes	2,923.5	15	8,007.2	46
Provision for income taxes	606.4	9	1,577.4	30
Net income	\$ 2,317.1	17 %	\$ 6,429.8	50 %
Earnings per common share-basic	\$ 3.19	18 %	\$ 8.82	52 %
Earnings per common share-diluted	\$ 3.17	18 %	\$ 8.76	52 %

n/m Not meaningful

Impact of Foreign Currency Translation

The impact of foreign currency translation on consolidated operating results for the quarter primarily reflected the strengthening of the Euro and British Pound. Results for the nine months reflected the weakening of most major currencies against the U.S. Dollar, partly offset by the strengthening of the Euro.

While changes in foreign currency exchange rates affect reported results, McDonald's mitigates exposures, where practical, by purchasing goods and services in local currencies, financing in local currencies and hedging certain foreign-denominated cash flows. Results excluding the effect of foreign currency translation (referred to as constant currency) are calculated by translating current year results at prior year average exchange rates.

IMPACT OF FOREIGN CURRENCY TRANSLATION

Dollars in millions, except per share data

			Currency Translation Benefit/ (Cost)
Quarters Ended September 30,	2023	2022	2023
Revenues	\$ 6,692.2	\$ 5,872.1	\$ 152.1
Company-operated margins	421.2	345.2	10.2
Franchised margins	3,421.7	3,082.1	70.3
Selling, general & administrative expenses	680.2	669.7	(6.7)
Operating income	3,208.3	2,763.9	73.4
Net income	2,317.1	1,981.6	55.0
Earnings per share-diluted	\$ 3.17	\$ 2.68	\$ 0.08
			Currency Translation Benefit/ (Cost)
Nine Months Ended September 30,	2023	2022	2023
Revenues	\$19,087.5	\$17,256.1	\$ (111.5)
Company-operated margins	1,118.1	1,031.4	(7.7)
Franchised margins	9,726.0	8,699.1	(36.6)
Selling, general & administrative expenses	1,995.5	2,050.9	2.9
Operating income	8,844.8	6,788.3	(43.9)
Net income	6,429.8	4,274.0	(18.1)
Earnings per share-diluted	\$ 8.76	\$ 5.75	\$ (0.03)

Net Income and Diluted Earnings per Share

For the quarter, net income increased 17% (14% in constant currencies) to \$2,317.1 million, and diluted earnings per share increased 18% (15% in constant currencies) to \$3.17. Foreign currency translation had a positive impact of \$0.08 on diluted earnings per share.

For the nine months, net income increased 50% (51% in constant currencies) to \$6,429.8 million, and diluted earnings per share increased 52% (53% in constant currencies) to \$8.76. Foreign currency translation had a negative impact of \$0.03 on diluted earnings per share.

Results for 2023 included the following:

- Pre-tax charges of \$26 million, or \$0.02 per share, for the quarter and \$224 million, or \$0.23 per share, for the nine months, primarily related to restructuring costs associated with *Accelerating the Organization*

Results for 2022 included the following:

- Pre-tax charges of \$1,281 million, or \$1.44 per share, for the nine months, related to the sale of the Company's business in Russia
- Pre-tax gain of \$271 million, or \$0.40 per share, for the nine months, related to the Company's sale of its Dynamic Yield business
- \$537 million, or \$0.72 per share, for the nine months, of nonoperating expense related to the settlement of a tax audit in France

Excluding the above items, results for both periods reflected strong operating performance driven primarily by higher sales-driven Franchised margins.

During the quarter, the Company repurchased 3.8 million shares of stock for \$1.1 billion, bringing total purchases for the nine months to 7.9 million shares, or \$2.2 billion. Additionally, the Company paid a quarterly dividend of \$1.52 per share, or \$1.1 billion, bringing total dividends paid for the nine months to \$3.3 billion. In October 2023, the Company declared a 10% increase in its quarterly cash dividend to \$1.67 per share, payable on December 15, 2023.

NET INCOME AND EARNINGS PER SHARE-DILUTED RECONCILIATION

Dollars in millions, except per share data

Quarters Ended September 30,									
	Net Income				Earnings per share - diluted				
	2023	2022	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation	2023	2022	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation	
GAAP	\$2,317.1	\$1,981.6	17 %	14 %	\$ 3.17	\$ 2.68	18 %	15 %	
(Gains)/charges	20.0	—			0.02	—			
Tax Settlement	—	—			—	—			
Non-GAAP	\$2,337.1	\$1,981.6	18 %	15 %	\$ 3.19	\$ 2.68	19 %	16 %	
Nine Months Ended September 30,									
	Net Income				Earnings per share - diluted				
	2023	2022	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation	2023	2022	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation	
GAAP	\$6,429.8	\$4,274.0	50 %	51 %	\$ 8.76	\$ 5.75	52 %	53 %	
(Gains)/charges	168.1	770.7			0.23	1.04			
Tax Settlement	—	537.2			—	0.72			
Non-GAAP	\$6,597.9	\$5,581.9	18 %	19 %	\$ 8.99	\$ 7.51	20 %	20 %	

Revenues

The Company's revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees, developmental licensees and affiliates. Revenues from conventional franchised restaurants include rent and royalties based on a percent of sales with minimum rent payments, and initial fees. Revenues from restaurants licensed to developmental licensees and affiliates include a royalty based on a percent of sales, and generally include initial fees. The Company's Other revenues are comprised of fees paid by franchisees to recover a portion of costs incurred by the Company for various technology platforms, revenues from brand licensing arrangements to market and sell consumer packaged goods using the McDonald's brand and, for periods prior to its sale on April 1, 2022, third-party revenues for the Company's Dynamic Yield business.

Franchised restaurants represented approximately 95% of McDonald's restaurants worldwide at September 30, 2023. The Company's heavily franchised business model is designed to generate stable and predictable revenue, which is largely a function of franchisee sales, and resulting cash flow streams.

REVENUES*Dollars in millions*

Quarters Ended September 30,	2023	2022	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$ 816.8	\$ 713.6	14 %	14 %
International Operated Markets	1,520.0	1,220.2	25	20
International Developmental Licensed Markets & Corporate	219.4	191.0	15	13
Total	\$ 2,556.2	\$ 2,124.8	20 %	17 %
<i>Franchised revenues</i>				
U.S.	\$ 1,840.3	\$ 1,699.9	8 %	8 %
International Operated Markets	1,738.4	1,564.6	11	5
International Developmental Licensed Markets & Corporate	468.4	406.7	15	16
Total	\$ 4,047.1	\$ 3,671.2	10 %	8 %
<i>Total Company-operated sales and Franchised revenues</i>				
U.S.	\$ 2,657.1	\$ 2,413.5	10 %	10 %
International Operated Markets	3,258.4	2,784.8	17	12
International Developmental Licensed Markets & Corporate	687.8	597.7	15	15
Total	\$ 6,603.3	\$ 5,796.0	14 %	11 %
Total Other revenues	\$ 88.9	\$ 76.1	17 %	15 %
Total Revenues	\$ 6,692.2	\$ 5,872.1	14 %	11 %

Nine Months Ended September 30,	2023	2022	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$ 2,401.3	\$ 2,057.2	17 %	17 %
International Operated Markets	4,251.8	3,924.0	8	10
International Developmental Licensed Markets & Corporate	614.4	558.8	10	13
Total	\$ 7,267.5	\$ 6,540.0	11 %	12 %
<i>Franchised revenues</i>				
U.S.	\$ 5,349.6	\$ 4,856.8	10 %	10 %
International Operated Markets	4,888.8	4,464.1	10	9
International Developmental Licensed Markets & Corporate	1,329.5	1,139.9	17	20
Total	\$ 11,567.9	\$ 10,460.8	11 %	11 %
<i>Total Company-operated sales and Franchised revenues</i>				
U.S.	\$ 7,750.9	\$ 6,914.0	12 %	12 %
International Operated Markets	9,140.6	8,388.1	9	10
International Developmental Licensed Markets & Corporate	1,943.9	1,698.7	14	18
Total	\$ 18,835.4	\$ 17,000.8	11 %	11 %
Total Other revenues	\$ 252.1	\$ 255.3	(1)%	(1)%
Total Revenues	\$ 19,087.5	\$ 17,256.1	11 %	11 %

- Total Company-operated sales and franchised revenues increased 14% (11% in constant currencies) for the quarter and 11% (11% in constant currencies) for the nine months, with both periods benefiting from strong sales performance across all segments. Revenue growth in the International Operated Markets segment for the nine months was partly offset by the impact of the Company's exit from Russia in the second quarter of 2022.

Comparable Sales

The following table presents the percent change in comparable sales for the quarters and nine months ended September 30, 2023 and 2022:

	Increase/(Decrease)			
	Quarters Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
U.S.	8.1 %	6.1 %	10.3 %	4.5 %
International Operated Markets	8.3	8.5	10.9	13.5
International Developmental Licensed Markets & Corporate	10.5	16.7	12.3	15.9
Total	8.8 %	9.5 %	11.0 %	10.3 %

Systemwide Sales and Franchised Sales

The following table presents the percent change in Systemwide sales for the quarter and nine months ended September 30, 2023:

SYSTEMWIDE SALES*

	Quarter Ended September 30, 2023		Nine Months Ended September 30, 2023	
	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	8 %	8 %	11 %	11 %
International Operated Markets	16	10	11	11
International Developmental Licensed Markets & Corporate	11	13	11	16
Total	11 %	10 %	11 %	12 %

*Unlike comparable sales, the Company has not excluded sales from hyperinflationary markets from Systemwide sales as these sales are the basis on which the Company calculates and records revenues.

Franchised sales are not recorded as revenues by the Company, but are the basis on which the Company calculates and records franchised revenues and are indicative of the financial health of the franchisee base. The following table presents Franchised sales and the related increases/(decreases) for the quarters and nine months ended September 30, 2023 and 2022:

FRANCHISED SALES

Dollars in millions

				Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
Quarters Ended September 30,	2023	2022			
U.S.	\$ 12,794.2	\$ 11,838.2	8 %	8 %	
International Operated Markets	10,181.1	8,896.9	14	9	
International Developmental Licensed Markets & Corporate	8,387.1	7,574.8	11	13	
Total	\$ 31,362.4	\$ 28,309.9	11 %	9 %	
<i>Ownership type</i>					
Conventional franchised	\$ 22,852.8	\$ 20,671.0	11 %	8 %	
Developmental licensed	5,382.2	4,778.0	13	12	
Foreign affiliated	3,127.4	2,860.9	9	14	
Total	\$ 31,362.4	\$ 28,309.9	11 %	9 %	
Nine Months Ended September 30,	2023	2022			
U.S.	\$ 37,325.1	\$ 33,866.0	10 %	10 %	
International Operated Markets	28,564.0	25,704.9	11	11	
International Developmental Licensed Markets & Corporate	23,916.6	21,517.2	11	16	
Total	\$ 89,805.7	\$ 81,088.1	11 %	12 %	
<i>Ownership type</i>					
Conventional franchised	\$ 65,610.2	\$ 59,266.9	11 %	11 %	
Developmental licensed	15,171.1	13,471.2	13	15	
Foreign affiliated	9,024.4	8,350.0	8	15	
Total	\$ 89,805.7	\$ 81,088.1	11 %	12 %	

Restaurant Margins

Franchised restaurant margins are measured as revenues from franchised restaurants less franchised restaurant occupancy costs. Franchised revenues include rent and royalties based on a percent of sales, and initial fees. Franchised restaurant occupancy costs include lease expense and depreciation, as the Company generally owns or secures a long-term lease on the land and building for the restaurant location.

Company-operated restaurant margins are measured as sales from Company-operated restaurants less costs for food & paper, payroll & employee benefits and occupancy & other operating expenses necessary to run an individual restaurant. Company-operated margins exclude costs that are not allocated to individual restaurants, primarily payroll & employee benefit costs of non-restaurant support staff, which are included in Selling, general and administrative expenses.

RESTAURANT MARGINS

Dollars in millions

	Amount			Inc/ (Dec) Excluding Currency Translation
Quarters Ended September 30,	2023	2022	Inc/ (Dec)	
Franchised				
U.S.	\$1,517.9	\$1,383.7	10 %	10 %
International Operated Markets	1,440.0	1,296.6	11	5
International Developmental Licensed Markets & Corporate	463.8	401.8	15	16
Total	\$3,421.7	\$3,082.1	11 %	9 %
Company-operated				
U.S.	\$ 122.0	\$ 105.6	16 %	16 %
International Operated Markets	286.0	230.5	24	20
International Developmental Licensed Markets & Corporate	n/m	n/m	n/m	n/m
Total	\$ 421.2	\$ 345.2	22 %	19 %
Total restaurant margins				
U.S.	\$1,639.9	\$1,489.3	10 %	10 %
International Operated Markets	1,726.0	1,527.1	13	8
International Developmental Licensed Markets & Corporate	n/m	n/m	n/m	n/m
Total	\$3,842.9	\$3,427.3	12 %	10 %

	Amount			Inc/ (Dec) Excluding Currency Translation
Nine Months Ended September 30,	2023	2022	Inc/ (Dec)	
Franchised				
U.S.	\$4,389.5	\$3,927.8	12 %	12 %
International Operated Markets	4,021.2	3,646.8	10	10
International Developmental Licensed Markets & Corporate	1,315.3	1,124.5	17	20
Total	\$9,726.0	\$8,699.1	12 %	12 %
Company-operated				
U.S.	\$ 356.0	\$ 316.1	13 %	13 %
International Operated Markets	740.8	695.2	7	8
International Developmental Licensed Markets & Corporate	n/m	n/m	n/m	n/m
Total	\$1,118.1	\$1,031.4	8 %	9 %
Total restaurant margins				
U.S.	\$4,745.5	\$4,243.9	12 %	12 %
International Operated Markets	4,762.0	4,342.0	10	10
International Developmental Licensed Markets & Corporate	n/m	n/m	n/m	n/m
Total	\$10,844.1	\$9,730.5	11 %	12 %

n/m Not meaningful

- Results in all segments reflected strong sales-driven Franchised margins for both periods. Franchised margins represented approximately 90% of restaurant margin dollars.
- Company-operated margins in the U.S. and International Operated Markets segment reflected strong sales performance in both periods, with results partly offset by ongoing inflationary cost pressures. Results for the nine months in the International Operated Markets segment were also partly offset by the impact of the Company's exit from Russia in the second quarter of 2022.

- Total restaurant margins included depreciation and amortization expense of \$401.4 million and \$1.2 billion for the quarter and nine months, respectively.

Selling, General & Administrative Expenses

- Selling, general and administrative expenses increased \$10.5 million, or 2% (1% in constant currencies), for the quarter and decreased \$55.4 million, or 3% (3% in constant currencies), for the nine months. Results for the nine months primarily reflected the comparison to prior year costs related to the 2022 Worldwide Owner/Operator convention and proxy contest, partly offset by higher current year incentive-based compensation expense.
- Selling, general and administrative expenses as a percent of Systemwide sales were 2.1% and 2.3% for the nine months ended 2023 and 2022, respectively.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET

Dollars in millions

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Gains on sales of restaurant businesses	\$ (7.9)	\$ (18.3)	\$ (46.3)	\$ (33.0)
Equity in earnings of unconsolidated affiliates	(49.5)	(37.3)	(122.2)	(88.5)
Asset dispositions and other (income) expense, net	6.8	68.1	12.2	70.8
Impairment and other charges (gains), net	25.8	—	224.3	1,009.8
Total	\$ (24.8)	\$ 12.5	\$ 68.0	\$ 959.1

- Equity in earnings of unconsolidated affiliates increased for the nine months, primarily due to recovery from the impact of COVID-19 in China in the prior year.
- Asset dispositions and other (income) expense, net for both periods reflected the comparison to prior year costs incurred to support the Company's business in Ukraine and higher asset write-offs in the prior year.
- Impairment and other charges (gains), net reflected pre-tax charges of \$26 million and \$224 million for the quarter and nine months, respectively, primarily related to restructuring costs associated with *Accelerating the Organization*.

Results for the nine months 2022 reflected \$1,281 million of pre-tax charges related to the sale of the Company's business in Russia and a pre-tax gain of \$271 million related to the Company's sale of its Dynamic Yield business.

Operating Income

OPERATING INCOME & OPERATING MARGIN

Dollars in millions

Quarters Ended September 30,	2023	2022	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	\$ 1,477.8	\$ 1,326.6	11 %	11 %
International Operated Markets	1,584.5	1,374.4	15	10
International Developmental Licensed Markets & Corporate	146.0	62.9	n/m	n/m
Total	\$ 3,208.3	\$ 2,763.9	16 %	13 %

Nine Months Ended September 30,	2023	2022	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	\$ 4,267.8	\$ 3,797.5	12 %	12 %
International Operated Markets	4,294.7	2,639.9	63	63
International Developmental Licensed Markets & Corporate	282.3	350.9	(20)	(7)
Total	\$ 8,844.8	\$ 6,788.3	30 %	31 %

Operating margin 46.3 % 39.3 %

- Operating Income:** Operating income increased \$444.4 million, or 16% (13% in constant currencies), for the quarter and \$2,056.5 million, or 30% (31% in constant currencies), for the nine months. Results reflected pre-tax charges of \$26 million and \$224 million for the quarter and nine months, respectively, primarily related to restructuring costs associated with *Accelerating the Organization*.

Results for the nine months 2022 reflected \$1,281 million of pre-tax charges related to the sale of the Company's business in Russia and a pre-tax gain of \$271 million related to the Company's sale of its Dynamic Yield business.

OPERATING INCOME & OPERATING MARGIN RECONCILIATION*

Dollars in millions

	Quarters Ended September 30,				Nine Months Ended September 30,			
	2023	2022	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation	2023	2022	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
GAAP operating income	\$3,208.3	\$2,763.9	16 %	13 %	\$8,844.8	\$6,788.3	30 %	31 %
(Gains)/charges	25.8	—			224.3	—		
Russia sale charge	—	—			—	1,280.5		
Dynamic Yield sale gain	—	—			—	(270.7)		
Total (gains)/charges	25.8	—			224.3	1,009.8		
Non-GAAP operating income	\$3,234.1	\$2,763.9	17 %	14 %	\$9,069.1	\$7,798.1	16 %	17 %
Non-GAAP operating margin					47.5 %	45.2 %		

*Refer to the Impairment and other charges (gains), net line within the Other Operating (Income) Expense, Net section on page 28 for details of the gains and charges in this table.

- Excluding the current and prior year charges and gains shown in the table above, operating income increased 17% (14% in constant currencies), for the quarter and 16% (17% in constant currencies), for the nine months. Positive operating results across all segments were due primarily to strong sales-driven growth in Franchised margins.
- Operating Margin:** Operating margin is defined as operating income as a percent of total revenues. The contributions to operating margin differ by segment due to each segment's ownership structure, primarily due to the relative percentage of franchised versus Company-operated restaurants. Additionally, temporary restaurant closures, which vary by segment, impact the contribution of each segment to the consolidated operating margin.

The increase in non-GAAP operating margin was due primarily to sales-driven growth in Franchised margins.

Interest Expense

- Interest expense increased 11% (10% in constant currencies) for the quarter and 13% (13% in constant currencies) for the nine months. Results for both periods reflected higher average interest rates and higher average debt balances.

Nonoperating (Income) Expense, Net

NONOPERATING (INCOME) EXPENSE, NET

Dollars in millions

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Interest income	\$ (47.3)	\$ (10.8)	\$ (122.1)	\$ (18.0)
Foreign currency and hedging activity	0.6	(50.4)	(18.9)	(88.7)
Other (income) expense, net	(9.2)	(17.3)	(22.0)	524.4
Total	\$ (55.9)	\$ (78.5)	\$ (163.0)	\$ 417.7

- Interest income for both periods increased due to higher average interest rates.
- Foreign currency and hedging activity includes net gains or losses on certain hedges that reduce the exposure to variability on certain intercompany foreign currency cash flow streams.
- Other (income) expense, net for 2022 included \$537 million for the nine months of nonoperating expense related to the settlement of a tax audit in France.

Income Taxes

- The effective income tax rate was 20.7% and 21.9% for the quarters ended 2023 and 2022, respectively, and 19.7% and 22.1% for the nine months ended 2023 and 2022, respectively.
- The effective tax rate for the nine months 2022 reflected \$239 million of net tax benefits related to the sale of the Company's Russia and Dynamic Yield businesses and the unfavorable impact of the non-deductible \$537 million of nonoperating expense related to the settlement of a tax audit in France. Excluding these items, the effective tax rate was 20.6% for the nine months 2022.

Cash Flows

The Company has a long history of generating significant cash from operations and has substantial credit capacity to fund operating and discretionary spending to invest in opportunities to grow the business, such as restaurant development, in addition to funding debt repayments, dividends and share repurchases.

Cash provided by operations totaled \$7.1 billion and exceeded capital expenditures by \$5.5 billion for the nine months 2023. Cash provided by operations increased \$1.9 billion compared with the nine months 2022, primarily due to improved operating results.

Cash used for investing activities totaled \$2.3 billion for the nine months 2023, an increase of \$738 million compared with the nine months 2022. The increase was primarily due to higher capital expenditures in the nine months 2023 as well as proceeds from the sale of Dynamic Yield in the nine months 2022.

Cash used for financing activities totaled \$3.8 billion for the nine months 2023, a decrease of \$1.3 billion compared with the nine months 2022. The decrease was primarily due to lower treasury stock purchases.

Outlook

Based on current conditions, the following is provided to assist in forecasting the Company's future results for 2023.

- 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%.

Recent Accounting Pronouncements

Recent accounting pronouncements are discussed in the "Recent Accounting Pronouncements" section in Part I, Item 1 of this report.

Cautionary Statement Regarding Forward-Looking Statements

The information in this report contains 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 or conditional words, such as “could,” “should,” “can,” “continue,” “estimate,” “forecast,” “intend,” “look,” “may,” “will,” “expect,” “believe,” “anticipate,” “plan,” “remain,” “confident,” “commit” and “potential” 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 dates the statements are made. Except as required by law, we do not undertake to update such forward-looking statements. You should not rely unduly on forward-looking statements.

Risk Factors

Our business results are subject to a variety of risks, including those that are described below and elsewhere in our filings with the Securities and Exchange Commission. The risks described below are not the only risks we face. Additional risks not currently known to us or that we currently deem to be immaterial may also significantly adversely affect our business. If any of these risks were to materialize or intensify, our expectations (or the underlying assumptions) may change and our performance may be adversely affected.

STRATEGY AND BRAND

If we do not successfully evolve and execute against our business strategies, we may not be able to drive business growth.

To drive Systemwide sales, operating income and free cash flow growth, our business strategies – including the components of our *Accelerating the Arches* growth strategy – must be effective in maintaining and strengthening customer appeal and capturing additional market share. Whether these strategies are successful depends mainly on our System’s continued ability to:

- capitalize on our global scale, iconic brand and local market presence to build upon our historic strengths and competitive advantages, including by maximizing our marketing, committing to our core menu items, and doubling down on digital, delivery, drive thru and restaurant development;
- innovate and differentiate the McDonald’s experience, including by preparing and serving our food in a way that balances value and convenience to our customers with profitability;
- build upon our investments to transform and enhance the customer experience;
- run great restaurants by driving efficiencies and expanding capacities while prioritizing health and safety;
- accelerate our existing strategies, including through growth opportunities; and
- evolve and adjust our strategies in response to, among other things, changing consumer behavior, and other events impacting our results of operations and liquidity.

If we are delayed or unsuccessful in evolving or executing against our strategies, if the execution of our strategies proves to be more difficult, costly or time consuming than expected, or if our strategies do not yield the desired results, our business, financial condition and results of operations may suffer.

Failure to preserve the value or relevance of our brand could have an adverse impact on our financial results.

To continue to be successful in the future, we believe we must preserve, enhance and leverage the value and relevance of our brand, including our corporate purpose, mission and values. Brand value is based in part on consumer perceptions, which are affected by a variety of factors, including the nutritional content and preparation of our food, the ingredients we use, the manner in which we source commodities and general business practices across the System, including the people practices at McDonald’s restaurants. Consumer acceptance of our offerings is subject to change for a variety of reasons, and some changes can occur rapidly. For example, nutritional, health, environmental and other scientific studies and conclusions, which continuously evolve and may have contradictory implications, drive popular opinion, litigation and regulation (including initiatives intended to drive consumer behavior) in ways that affect the “informal eating out” (“IEO”) segment or perceptions of our brand, generally or relative to available alternatives. Our business could also be impacted by business incidents or practices, whether actual or perceived, particularly if they receive considerable publicity or result in litigation, as well as by our position or perceived lack of position on environmental, social responsibility, public policy, geopolitical and similar matters. In addition, we cannot ensure that franchisees will not take actions that adversely affect the value and relevance of our brand. Consumer perceptions may also be affected by adverse commentary from third parties, including through social media or conventional media outlets, regarding the quick-service category of the IEO segment or our brand, culture, operations, suppliers or franchisees. If we are unsuccessful in addressing adverse commentary or perceptions, whether or not accurate, our brand and financial results may suffer.

If we do not anticipate and address industry trends and evolving consumer preferences and effectively execute our pricing, promotional and marketing plans, our business could suffer.

Our continued success depends on our System’s ability to build upon our historic strengths and competitive advantages. In order to do so, we need to anticipate and respond effectively to continuously shifting consumer demographics and industry trends in food sourcing, food preparation, food offerings, and consumer behavior and preferences, including with respect to the use of digital channels and

environmental and social responsibility matters. If we are not able to predict, or quickly and effectively respond to, these changes, or if our competitors are able to do so more effectively, our financial results could be adversely impacted.

Our ability to build upon our strengths and advantages also depends 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 behavior and preferences, as well as shifting economic and competitive conditions. Existing or future pricing strategies and marketing plans, as well as the value proposition they represent, are expected to continue to be important components of our business strategy. However, they may not be successful, or may not be as successful as the efforts of our competitors, which could negatively impact sales, guest counts and market share.

Additionally, we operate in a complex and costly advertising environment. Our marketing and advertising programs may not be successful in reaching consumers in the way we intend. Our success depends in part on whether the allocation of our advertising and marketing resources across different channels, including digital, allows us to reach consumers effectively, efficiently and in ways that are meaningful to them. If our 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.

Our investments to transform and enhance the customer experience, including through technology, may not generate the expected results.

Our long-term business objectives depend on the successful Systemwide execution of our strategies. We continue to build upon our investments in restaurant development, technology, digital engagement and delivery in order to transform and enhance the customer experience. As part of these investments, we are continuing to place emphasis on improving our service model and strengthening relationships with customers, in part through digital channels and loyalty initiatives, mobile ordering and payment systems, and enhancing our drive thru technologies, which efforts may not generate expected results. We also continue to expand and refine our delivery initiatives, including through integrating delivery and mobile ordering. Utilizing a third-party delivery service may not have the same level of profitability as a non-delivery transaction, and may introduce additional food quality, food safety and customer satisfaction risks. If these customer experience initiatives are not successfully executed, or if we do not fully realize the intended benefits of these significant investments, our business results may suffer.

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

We compete primarily in the IEO segment, which is highly competitive. 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, coffee shops and online retailers. We expect our environment to continue to be highly competitive, and our results in any particular reporting period may be impacted by a contracting IEO segment or by new or continuing actions, product offerings or consolidation of our competitors and third-party partners, which may have a short- or long-term impact on our results.

We compete primarily 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, successfully develop and introduce new products, price our products appropriately, deliver a relevant customer experience, manage the complexity of our restaurant operations, manage our investments in restaurant development, technology, digital engagement and delivery, and respond effectively to our competitors' actions or offerings or to unforeseen disruptive actions. There can be no assurance these strategies will be effective, and some strategies may be effective at improving some metrics while adversely affecting others, which could have the overall effect of harming 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.

Our success 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 U.S. and certain foreign jurisdictions. The trademarks that we currently use have not been, and may never be, registered in all of the countries outside of the U.S. in which we do business or may do business in the future. It may be costly and time consuming to protect our intellectual property, and the steps we have taken to do so in the U.S. 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.

In addition, we cannot ensure that franchisees and other third parties who hold licenses to our intellectual property will not take actions that adversely affect the value of our intellectual property.

OPERATIONS

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

We encounter differing cultural, regulatory, geopolitical 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 and brand perceptions. Planned initiatives may not have appeal across multiple markets with McDonald's customers and could drive unanticipated changes in customer perceptions and market share.

Disruptions in operations or price volatility in a market can also result from governmental actions, such as price, foreign exchange or trade-related tariffs or controls, trade policies and regulations, sanctions and counter sanctions, government-mandated closure of our, our franchisees' or our suppliers' operations, and asset seizures. Such disruptions or volatility can also result from acts of war, terrorism or other hostilities. For example, the war between Russia and Ukraine has resulted in volatile and unpredictable conditions throughout the region, exacerbated volatile macroeconomic conditions and increased pressure on our supply chain and the availability and costs of commodities, including energy, which we expect to continue to impact our financial results. The broader impacts of the war and related sanctions, including on macroeconomic conditions, geopolitical tensions, consumer demand and the ability of us and our franchisees to operate in certain geographic areas, may also continue to have an adverse impact on our business and financial results.

While we may face challenges and uncertainties in any of the markets in which we operate, such challenges and uncertainties are often heightened in developing markets, which may entail a relatively higher risk of political instability, economic volatility, crime, corruption and social and ethnic unrest. In many cases, such challenges may be exacerbated by the lack of an independent and experienced judiciary and uncertainty 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 adversely affect our business and financial results.

Supply chain interruptions may increase costs or reduce revenues.

We depend on the effectiveness of our supply chain management to assure a reliable and sufficient supply of quality products, equipment and other materials on favorable terms. Although many of these items are sourced from a wide variety of suppliers in countries around the world, certain items have limited suppliers, which may increase our reliance on those suppliers. Supply chain interruptions and related price increases have in the past and may in the future adversely affect us as well as our suppliers and franchisees, whose performance may have a significant impact on our results. Such interruptions and price increases could be caused by shortages, inflationary pressures, unexpected increases in demand, transportation-related issues, labor-related issues, technology-related issues, weather-related events, natural disasters, acts of war, terrorism or other hostilities, or other factors beyond the control of us or our suppliers or franchisees. Interruptions in our System's supply chain or ineffective contingency planning can increase our costs and/or limit the availability of products, equipment and other materials that are critical to our System's operations or to restaurant development.

Our franchise business model presents a number of risks.

Our success as a heavily franchised business relies to a large degree on the financial success and cooperation of our franchisees, including our developmental licensees and affiliates. 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 and developmental licensees 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. Business risks affecting our operations also affect our franchisees. If franchisee sales trends worsen, or any of such risks materialize or intensify, our financial results could be negatively affected, which may be material.

Our success also relies on the willingness and ability of our independent franchisees and affiliates to implement major initiatives, which may include financial investment, and to remain aligned with us on operating, value/promotional and capital-intensive reinvestment plans. The ability of franchisees 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, by their or our creditworthiness or by banks' lending practices. If our franchisees are unwilling or unable to invest in major initiatives or are unable to obtain financing at commercially reasonable rates, or at all, our future growth and results of operations could be adversely affected.

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 and potential delays. If franchisees do not successfully operate restaurants in a manner consistent with our required standards, our 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. The benefits of our more heavily franchised structure depend on various factors, including whether we have effectively selected franchisees, licensees and/or affiliates that meet our rigorous standards, whether we are able to successfully integrate them into our structure and whether their performance and the resulting ownership mix supports our brand and financial objectives.

Continued challenges with respect to labor, including availability and cost, could adversely impact our business and results of operations.

Our success depends in part on our System's ability to effectively attract, recruit, develop, motivate and retain qualified individuals to work in McDonald's restaurants and to maintain appropriately-staffed restaurants in an intensely competitive labor market. We and our franchisees have experienced and may continue to experience challenges in adequately staffing certain McDonald's restaurants, which can negatively impact operations, including speed of service to customers, and customer satisfaction levels. The System's ability to meet its labor needs is generally subject to external factors, including the availability of sufficient workforce, unemployment levels and prevailing wages in the markets in which we operate.

Further, our System has experienced increased costs and competition associated with attracting, recruiting, developing, motivating and retaining qualified employees, as well as with promoting awareness of the opportunities of working at McDonald's restaurants. We and our franchisees also continue to be impacted by increasingly complex U.S. and international laws and regulations affecting our respective workforces. These laws and regulations are increasingly focused on, and in certain cases impose requirements with respect to, employment matters such as wages and hours, healthcare, immigration, retirement and other employee benefits and workplace practices. Such laws and regulations can expose us and our franchisees to increased costs and other effects of compliance, including potential liability, and all such labor and compliance costs could have a negative impact on our Company-operated margins and franchisee profitability.

Our potential exposure to reputational and other harm regarding our workplace practices or conditions or those of our independent franchisees or suppliers, including those giving rise to claims of harassment or discrimination (or perceptions thereof) or workplace safety, 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 attract, recruit, develop, motivate and retain talent) or our franchisees and suppliers, whose performance may have a significant impact on our results.

Effective succession planning is important to our continued success.

Effective succession planning for management is important to our long-term success. Failure to effectively attract, recruit, develop, motivate and retain qualified key personnel, or to execute smooth personnel transitions, could disrupt our business and adversely affect our results.

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, including in the supply chain, restaurants or delivery. Food safety is a top priority, and we dedicate substantial resources aimed at ensuring that our customers enjoy safe food products, including as our menu and service model evolve. However, food safety events, including instances of food-borne illness, occur within the food industry and our System from time to time 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, reputation and financial results.

If we do not effectively manage our real estate portfolio, our operating results may be negatively impacted.

We have significant real estate operations, primarily in connection with our restaurant business. We generally own or secure a long-term lease on the land and building for conventional franchised and Company-operated restaurant sites. We seek to identify and develop restaurant locations that offer convenience to customers and long-term sales and profit potential. As we generally secure long-term real estate interests for our restaurants, we have limited flexibility to quickly alter our real estate portfolio. The competitive business landscape continues to evolve in light of changing business trends, consumer preferences, trade area demographics, consumer use of digital, delivery and drive thru, local competitive positions and other economic factors. If our restaurants are not located in desirable locations, or if we do not evolve in response to these factors, it could adversely affect Systemwide sales and profitability.

Our real estate values and the costs associated with our real estate operations are also impacted by a variety of other factors, including governmental regulations, insurance, zoning, tax and eminent domain laws, interest rate levels, the cost of financing, natural disasters, acts of war, terrorism or other hostilities, or other factors beyond our control. A significant change in real estate values, or an increase in costs as a result of any of these factors, could adversely affect our operating results.

Information technology system failures or interruptions, or breaches of network security, may impact our operations or cause reputational harm.

We are increasingly reliant upon technology systems, such as point-of-sale, that support our business operations, including our digital and delivery solutions, and technologies that facilitate communication and collaboration with affiliated entities, customers, employees, franchisees, suppliers, service providers or other independent third parties to conduct our business, whether developed and maintained by us or provided by third parties. Any failure or interruption of these systems could significantly impact our or our franchisees' operations, or our customers' experiences and perceptions.

Security incidents or breaches have from time to time occurred and may in the future occur involving our systems, the systems of the parties with whom we communicate or collaborate (including franchisees) or the systems of third-party providers. These may include such things as unauthorized access, phishing attacks, account takeovers, denial of service, computer viruses, introduction of malware or

ransomware and other disruptive problems caused by hackers. Certain of these technology systems contain personal, financial and other information of our customers, employees, franchisees and their employees, suppliers and other third parties, as well as financial, proprietary and other confidential information related to our business. Despite response procedures and measures in place in the event of an incident, a security breach could result in disruptions, shutdowns, or the theft or unauthorized disclosure of such information. The actual or alleged occurrence of any of these incidents could result in mitigation costs, reputational damage, adverse publicity, loss of consumer confidence, reduced sales and profits, complications in executing our growth initiatives and regulatory and legal risk, including criminal penalties or civil liabilities.

Despite the implementation of business continuity measures, any of these technology systems could become vulnerable to damage, disability or failures due to fire, power loss, telecommunications failure or other catastrophic events. Certain technology systems may also become vulnerable, unreliable or inefficient in cases where technology vendors limit or terminate product support and maintenance. Our increasing reliance on third-party systems also subjects us to risks faced by those third-party businesses, including operational, security and credit risks. If technology systems were to fail or otherwise be unavailable, or if business continuity or disaster recovery plans were not effective, and we were unable to recover in a timely manner, we could experience an interruption in our or our franchisees' operations.

LEGAL AND REGULATORY

Increasing regulatory and legal complexity may adversely affect our business and financial results.

Our regulatory and legal environment worldwide exposes us to complex compliance, litigation and similar risks that could affect our operations and results in material ways. Many of our markets are subject to increasing, conflicting and highly prescriptive regulations involving, among other matters, restaurant operations, product packaging, marketing, the nutritional and allergen content and safety of our food and other products, labeling and other disclosure practices. Compliance efforts with those regulations 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. We also are subject to increasing public focus, including by governmental and non-governmental organizations, on environmental, social responsibility and corporate governance matters. Our success depends in part on our ability to manage the impact of regulations and other initiatives that can affect our business plans and operations, which have increased and may continue to increase our costs of doing business and exposure to litigation, governmental investigations or other proceedings.

We are also subject to legal proceedings that may adversely affect our business, including, but not limited to, class actions, administrative proceedings, government investigations and proceedings, shareholder proceedings, employment and personal injury claims, landlord/tenant disputes, supplier-related disputes, and claims by current or former franchisees. Regardless of whether claims against us are valid or whether we are found to be liable, claims may be expensive to defend and may divert management's attention away from operations.

Litigation, legislative and regulatory action concerning our relationship with franchisees and the legal distinction between our franchisees and us for employment law or other purposes, if determined adversely, could challenge our franchise business model, increase costs, negatively impact our business operations and 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.

Our 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; and
- 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.

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 claims may hurt our business. If we are unable to effectively manage the risks associated with our complex regulatory and legal environment, it could have a material adverse effect on our business and financial condition.

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 U.S. 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. We are also impacted by settlements of pending or any future adjustments proposed by taxing and governmental authorities inside and outside of the U.S. in connection with our tax audits, all of which will depend on their timing, nature and scope. Any significant 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.

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, interest rate levels, 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. Any such changes could have a significant adverse effect on our reported results for the affected periods.

If we fail to comply with privacy and data protection laws, we could be subject to legal proceedings and penalties, which could negatively affect our financial results or brand perceptions.

We are subject to legal and compliance risks and associated liability related to privacy and data protection requirements, including those associated with our technology-related services and platforms made available to business partners, customers, employees, franchisees or other third parties. An increasing number of our markets have enacted new privacy and data protection requirements (including the European Union's General Data Protection Regulation and various U.S. state-level laws), and further requirements are likely to be proposed or enacted in the future. Failure to comply with these privacy and data protection laws could result in legal proceedings and substantial penalties and materially adversely impact our financial results or brand perceptions.

MACROECONOMIC AND MARKET CONDITIONS

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

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

Our results of operations are also affected by fluctuations in currency exchange rates, and unfavorable currency fluctuations could adversely affect reported earnings.

Health epidemics or pandemics could adversely affect our business and financial results.

Health epidemics or pandemics – such as the global outbreak of COVID-19 in early 2020 – have in the past and may in the future impact macroeconomic conditions, consumer behavior, labor availability and supply chain management, as well as local operations in impacted markets, all of which can adversely affect our business, financial results and outlook. Governmental responses to health epidemics or pandemics, including operational restrictions, can also affect the foregoing items and adversely affect our business and financial results. The duration and scope of a health epidemic or pandemic can be difficult to predict and depends on many factors, including the emergence of new variants and the availability, acceptance and effectiveness of preventative measures. A health epidemic or pandemic may also heighten other risks disclosed in these Risk Factors, including, but not limited to, those related to the availability and costs of labor and commodities, supply chain interruptions, consumer behavior, and consumer perceptions of our brand and industry.

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, supplies, fuel and utilities, as well as distribution and other operating costs, including labor. Volatility in certain commodity prices and fluctuations in labor costs have adversely affected and in the future could adversely affect our operating results by impacting restaurant profitability. The commodity markets for some of the ingredients we use, such as beef, chicken and pork, are particularly volatile due to factors such as seasonal shifts, climate conditions, industry demand and other macroeconomic conditions, international commodity markets, food safety concerns, product recalls, government regulation, and acts of war, terrorism or other hostilities, all of which are beyond our control and, in many instances, unpredictable. Our System 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.

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, our collateral requirements and our operating or financial flexibility could all be negatively affected, especially if lenders were to 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. Any such events could have a material adverse effect on our business and financial condition.

The trading volatility and price of our common stock may be adversely affected by many factors.

Many factors affect the trading volatility and price of our common stock in addition to our operating results and prospects. These factors, many of which are beyond our control, include the following:

- the unpredictable nature of 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 U.S., which is the principal trading market for our common stock, and media reports and commentary about economic, trade or other matters, even when the matter in question does not directly relate to our business;
- trading activity in our common stock, in derivative instruments with respect to our common stock or in our 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 common stock by significant shareholders; and 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 of corporate actions, including changes to our corporate structure, and market and third-party perceptions and assessments of such actions, including those we may take from time to time as we implement our business strategies in light of changing business, legal and tax considerations.

Our business is subject to an increasing focus on environmental and social impact matters.

In recent years, there has been an increasing focus by stakeholders – including employees, franchisees, customers, suppliers, governmental and non-governmental organizations and investors – on environmental and social impact matters. A failure, whether real or perceived, to address environmental and social impact matters or to achieve progress on our environmental and social impact initiatives on the anticipated timing or at all, could adversely affect our business, including by heightening other risks disclosed in these Risk Factors, such as those related to consumer behavior, consumer perceptions of our brand, labor availability and costs, supply chain interruptions, commodity costs, and legal and regulatory complexity. Conversely, our taking a position, whether real or perceived, on environmental and social impact, public policy, geopolitical and similar matters could also adversely impact our business.

The standards we set for ourselves regarding environmental and social impact matters, and our ability to meet such standards, may also impact our business. For example, we are working to manage risks and costs to our System related to climate change, greenhouse gases, and diminishing energy and water resources, and we have announced initiatives relating to, among other things, climate action, sustainability, and responsible sourcing. In addition, we are engaging in social impact initiatives, including community engagement and philanthropy; as well as diversity, equity and inclusion efforts, such as increasing diverse representation in our corporate workforce and our franchisees, and increasing business diversity spend. We have faced increased scrutiny related to reporting on and achieving these initiatives, as well as continued public focus on similar matters, such as packaging and waste, animal health and welfare, deforestation and land use. We have also experienced increased pressure from stakeholders to provide expanded disclosure and establish additional commitments, targets or goals, and take actions to meet them, which could expose us to additional market, operational, execution and reputational costs and risks. Moreover, addressing environmental and social impact matters requires Systemwide as well as third party coordination and alignment, over which we do not have complete control and which may be unpredictable. The standards by which certain environmental and social impact matters are measured are also evolving and subject to assumptions that could change over time.

Events such as severe weather conditions, natural disasters, hostilities, social unrest and climate change, among others, can adversely affect our results and prospects.

Severe weather conditions, natural disasters, acts of war, terrorism or other hostilities, social unrest or climate change (or expectations about them) can adversely affect consumer behavior and confidence levels, supply availability and costs and local operations in impacted markets, all of which can affect our results and prospects. Climate change may also increase the frequency and severity of weather-related events and natural disasters. 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosures made in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 regarding these matters.

Item 4. Controls and Procedures

Disclosure Controls

An evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2023. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of such date to provide reasonable assurances that information required to be disclosed by the Company in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

The Company is in the process of implementing a comprehensive, multi-year finance and technology transformation initiative to migrate its general ledger, financial close and consolidation processes onto new financial systems. The Company is performing the implementation in the ordinary course of business to increase efficiency and to modernize the tools and technology used in its key financial processes. This is not in response to any identified deficiency or weakness in the Company's internal control over financial reporting. As the phased implementation of the systems continues, the Company has modified certain processes and procedures to enhance the quality of internal control over financial reporting. The Company will continue to monitor and modify, as needed, the design and operating effectiveness of key control activities to align with the updated business processes and capabilities of the new financial systems.

Except for these changes, the Company's management, including the CEO and CFO, confirm there has been no change in the Company's internal control over financial reporting during the fiscal quarter ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

There were no material changes to the disclosure made in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 regarding these matters.

Item 1A. Risk Factors

For a discussion of risk factors affecting the Company's business, refer to the "Risk Factors" section in Part I, Item 2 of this report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Issuer Purchases of Equity Securities***

The following table presents information related to repurchases of common stock the Company made during the quarter ended September 30, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
July 1-31, 2023	835,280	\$ 296.53	835,280	\$ 7,973,697,093
August 1-31, 2023	1,953,550	287.90	1,953,550	7,411,276,436
September 1-30, 2023	981,494	278.15	981,494	7,138,271,415
Total	3,770,324	\$ 287.27	3,770,324	

* Subject to applicable law, the Company may repurchase shares directly in the open market, in privately negotiated transactions or pursuant to derivative instruments and plans complying with Rule 10b5-1 under the Exchange Act, among other types of transactions and arrangements.

(1) On December 31, 2019, the Company's Board of Directors approved a share repurchase program, effective January 1, 2020, that authorized the purchase of up to \$15 billion of the Company's outstanding common stock.

Item 5. Other Information***Rule 10b5-1 Trading Plans***

In accordance with the disclosure requirement set forth in Item 408(a) of Regulation S-K, the following table discloses the officers (as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended) and directors who adopted a contract, instruction or written plan for the sale of the Company's securities intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) during the quarter ended September 30, 2023. Each of these trading plans was adopted during an open trading window.

Name / Title	Type of Plan	Adoption Date	End Date	Aggregate Number of Securities to be Sold	Plan Description
Joseph Erlinger / President, McDonald's USA	Rule 10b5-1 trading plan	August 15, 2023	December 23, 2024	20,730 ^[1]	Sale of shares
Morgan Flatley / EVP, Global CMO and New Business Ventures	Rule 10b5-1 trading plan	August 26, 2023	February 21, 2025	9,038	Exercise of stock options and sale of shares

^[1] Represents the maximum number of shares that are eligible to vest pursuant to Mr. Erlinger's 2021 performance-based restricted stock unit award. The actual number of shares that will vest and be sold pursuant to the trading plan will depend upon the Company's performance against the applicable performance targets.

Other than as disclosed above, no officer or director adopted, modified, or terminated a contract, instruction or written plan for the purchase or sale of the Company's securities intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or a non-Rule 10b5-1 trading arrangement.

Item 6. Exhibits

Exhibit No.	Description
(3)	Articles of incorporation; bylaws
(a)	<u>Restated Certificate of Incorporation, effective May 23, 2019, incorporated herein by reference from Exhibit 3(a) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2019.</u>
(b)	<u>By-Laws, amended and restated effective January 18, 2023, incorporated herein by reference from Exhibit 3.2 of Form 8-K (File No. 001-05231), filed January 19, 2023.</u>
(4)	Instruments defining the rights of securities holders, including indentures**
(a)	<u>Senior Debt Securities Indenture, dated October 19, 1996, incorporated herein by reference from Exhibit (4)(a) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996.</u>
(b)	<u>Subordinated Debt Securities Indenture, dated October 18, 1996, incorporated herein by reference from Exhibit (4)(b) of Form S-3 (File No. 333-14141), filed October 15, 1996.</u>
(10)	Material contracts
(a)	<u>McDonald's Corporation Directors' Deferred Compensation Plan, amended and restated effective December 31, 2021, incorporated herein by reference from Exhibit 10(a) of Form 10-K (File No. 001-05231), for the year ended December 31, 2021.*</u>
(b)	<u>McDonald's Corporation Board of Directors Deferred Compensation Plan, effective January 1, 2022, incorporated herein by reference from Exhibit 10(b) of Form 10-K (File No. 001-05231), for the year ended December 31, 2021.*</u>
(c)	<u>McDonald's Deferred Compensation Plan, effective January 1, 2017, incorporated herein by reference from Exhibit 10(b) of Form 10-K (File No. 001-05231), for the year ended December 31, 2016.*</u>
(i)	<u>First Amendment to the McDonald's Deferred Compensation Plan, effective May 1, 2018, incorporated herein by reference from Exhibit 10(b)(i) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2018.*</u>
(d)	<u>McDonald's Amended and Restated Deferred Compensation Plan, effective May 26, 2020, incorporated herein by reference from Exhibit 10(c) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2020.*</u>
(i)	<u>First Amendment to the McDonald's Amended and Restated Deferred Compensation Plan, effective December 1, 2021, incorporated herein by reference from Exhibit 10(d)(i) of Form 10-K (File No. 001-05231), for the year ended December 31, 2021.*</u>
(e)	<u>McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective September 1, 2001, incorporated herein by reference from Exhibit 10(c) of Form 10-K (File No. 001-05231), for the year ended December 31, 2001.*</u>
(i)	<u>First Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective January 1, 2002, incorporated herein by reference from Exhibit 10(c)(i) of Form 10-K (File No. 001-05231), for the year ended December 31, 2002.*</u>
(ii)	<u>Second Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective January 1, 2005, incorporated herein by reference from Exhibit 10(c)(ii) of Form 10-K (File No. 001-05231), for the year ended December 31, 2004.*</u>
(f)	<u>McDonald's Corporation 2012 Omnibus Stock Ownership Plan, effective June 1, 2012, incorporated herein by reference from Exhibit 10(h) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2012.*</u>
(g)	<u>McDonald's Corporation Amended and Restated 2012 Omnibus Stock Ownership Plan, effective May 21, 2020, incorporated herein by reference from Exhibit 10(g) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2020.*</u>
(h)	<u>Form of Executive Confidentiality, Intellectual Property and Restrictive Covenant Agreement, incorporated herein by reference from Exhibit 10(o) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2017.*</u>
(i)	<u>Form of 2018 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(q) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2018.*</u>
(j)	<u>McDonald's Corporation Target Incentive Plan, amended and restated effective February 13, 2019, incorporated herein by reference from Exhibit 10(p) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2019.*</u>

- (k) McDonald's Corporation Officer Severance Plan, amended and restated effective November 1, 2022, incorporated herein by reference from Exhibit 10(l) of Form 10-K (File No. 001-05231), for the year ended December 31, 2022.*
 - (l) Form of 2019 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(r) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2019.*
 - (m) Separation Agreement and General Release between Stephen Easterbrook and the Company, dated October 31, 2019, incorporated herein by reference from Exhibit 10.1 of Form 8-K, filed November 4, 2019.*
 - (n) Separation Agreement and General Release between Jerome N. Krulewitch and the Company, dated October 13, 2020, incorporated herein by reference from Exhibit 10(v) of Form 10-K (File No. 001-05231), for the year ended December 31, 2020.*
 - (o) Form of 2021 Executive Time-Based Restricted Stock Unit Award Agreement in connection with the Amended and Restated 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(v) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2021.*
 - (p) Form of 2023 Executive Performance-Based Restricted Stock Unit Award Agreement in connection with the Amended and Restated 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(q) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2023.*
 - (q) Form of 2023 Executive Stock Option Award Agreement in connection with the Amended and Restated 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(r) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2023.*
 - (31.1) Rule 13a-14(a) Certification of Chief Executive Officer.
 - (31.2) Rule 13a-14(a) Certification of Chief Financial Officer.
 - (32.1) Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - (32.2) Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - (101.INS) XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
 - (101.SCH) Inline XBRL Taxonomy Extension Schema Document.
 - (101.CAL) Inline XBRL Taxonomy Extension Calculation Linkbase Document.
 - (101.DEF) Inline XBRL Taxonomy Extension Definition Linkbase Document.
 - (101.LAB) Inline XBRL Taxonomy Extension Label Linkbase Document.
 - (101.PRE) Inline XBRL Taxonomy Extension Presentation Linkbase Document.
 - (104) Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.
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* Denotes compensatory plan.

** Certain instruments defining the rights of holders of long-term debt of the Company are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. An agreement to furnish a copy of any such instruments upon request has been filed with the Securities and Exchange Commission.

SIGNATURE

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 thereunto duly authorized.

McDONALD'S CORPORATION
(Registrant)

Date: November 2, 2023

/s/ Ian F. Borden

Ian F. Borden
Executive Vice President and Global Chief Financial
Officer

Rule 13a-14(a) Certification of Chief Executive Officer

I, Christopher J. Kempczinski, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of McDonald's Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2023

/s/ Christopher J. Kempczinski

Christopher J. Kempczinski

President and Chief Executive Officer

Rule 13a-14(a) Certification of Chief Financial Officer

I, Ian F. Borden, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of McDonald's Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2023

/s/ Ian F. Borden

Ian F. Borden

Executive Vice President and Global Chief Financial Officer

**Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2023

/s/ Christopher J. Kempczinski

Christopher J. Kempczinski

President and Chief Executive Officer

**Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2023

/s/ Ian F. Borden

Ian F. Borden

Executive Vice President and Global Chief Financial Officer