

MCDONALDS CORP
Form 10-Q
August 05, 2011
Table of Contents

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 June 30, 2011

OR

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

Commission File Number 1-5231

McDONALD S CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

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

(Registrant s Telephone Number, Including Area Code)

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

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to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

1,031,751,682

(Number of shares of common stock

outstanding as of June 30, 2011)

Table of Contents

MCDONALD S CORPORATION

INDEX

	Page Reference
Part I. Financial Information	
Item 1 <u>Financial Statements</u>	
<u>Condensed consolidated balance sheet, June 30, 2011 (unaudited) and December 31, 2010</u>	3
<u>Condensed consolidated statement of income (unaudited), quarters and six months ended June 30, 2011 and 2010</u>	4
<u>Condensed consolidated statement of cash flows (unaudited), quarters and six months ended June 30, 2011 and 2010</u>	5
<u>Notes to condensed consolidated financial statements (unaudited)</u>	6
Item 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	27
Item 4 <u>Controls and Procedures</u>	27
Part II. <u>Other Information</u>	
Item 1 <u>Legal Proceedings</u>	28
Item 1A <u>Risk Factors</u>	28
Item 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
Item 6 <u>Exhibits</u>	29
<u>Signature</u>	32

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

In millions, except per share data	(unaudited) June 30, 2011	December 31, 2010
Assets		
Current assets		
Cash and equivalents	\$ 2,070.0	\$ 2,387.0
Accounts and notes receivable	1,249.1	1,179.1
Inventories, at cost, not in excess of market	115.0	109.9
Prepaid expenses and other current assets	591.3	692.5
Total current assets	4,025.4	4,368.5
Other assets		
Investments in and advances to affiliates	1,355.6	1,335.3
Goodwill	2,725.4	2,586.1
Miscellaneous	1,710.8	1,624.7
Total other assets	5,791.8	5,546.1
Property and equipment		
Property and equipment, at cost	36,229.5	34,482.4
Accumulated depreciation and amortization	(13,213.7)	(12,421.8)
Net property and equipment	23,015.8	22,060.6
Total assets	\$ 32,833.0	\$ 31,975.2
Liabilities and shareholders' equity		
Current liabilities		
Short-term borrowings	\$ 896.8	
Accounts payable	709.9	\$ 943.9
Income taxes	235.0	111.3
Other taxes	310.7	275.6
Accrued interest	177.0	200.7
Accrued payroll and other liabilities	1,296.8	1,384.9
Current maturities of long-term debt	322.6	8.3
Total current liabilities	3,948.8	2,924.7
Long-term debt	11,062.8	11,497.0
Other long-term liabilities	1,548.2	1,586.9
Deferred income taxes	1,320.4	1,332.4
Shareholders' equity		
Preferred stock, no par value; authorized 165.0 million shares; issued none		
Common stock, \$.01 par value; authorized 3.5 billion shares; issued 1,660.6 million shares	16.6	16.6
Additional paid-in capital	5,362.1	5,196.4
Retained earnings	35,165.0	33,811.7
Accumulated other comprehensive income	1,544.4	752.9
Common stock in treasury, at cost; 628.9 and 607.0 million shares	(27,135.3)	(25,143.4)
Total shareholders' equity	14,952.8	14,634.2
Total liabilities and shareholders' equity	\$ 32,833.0	\$ 31,975.2

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See Notes to condensed consolidated financial statements.

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

In millions, except per share data	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Revenues				
Sales by Company-operated restaurants	\$ 4,697.4	\$ 4,013.4	\$ 8,850.1	\$ 7,816.5
Revenues from franchised restaurants	2,208.0	1,932.1	4,166.9	3,739.1
Total revenues	6,905.4	5,945.5	13,017.0	11,555.6
Operating costs and expenses				
Company-operated restaurant expenses	3,806.8	3,214.8	7,223.5	6,325.7
Franchised restaurants - occupancy expenses	373.0	334.3	727.3	673.6
Selling, general & administrative expenses	588.0	564.9	1,151.6	1,111.2
Impairment and other charges (credits), net	2.4	6.8	2.4	37.6
Other operating (income) expense, net	(53.9)	(20.6)	(102.8)	(111.9)
Total operating costs and expenses	4,716.3	4,100.2	9,002.0	8,036.2
Operating income	2,189.1	1,845.3	4,015.0	3,519.4
Interest expense	121.8	108.1	241.9	219.1
Nonoperating (income) expense, net	0.9	1.9	7.8	8.1
Income before provision for income taxes	2,066.4	1,735.3	3,765.3	3,292.2
Provision for income taxes	656.2	509.5	1,146.1	976.6
Net income	\$ 1,410.2	\$ 1,225.8	\$ 2,619.2	\$ 2,315.6
Earnings per common share-basic	\$ 1.36	\$ 1.14	\$ 2.52	\$ 2.16
Earnings per common share-diluted	\$ 1.35	\$ 1.13	\$ 2.49	\$ 2.13
Dividends declared per common share	\$ 0.61	\$ 0.55	\$ 1.22	\$ 1.10
Weighted-average shares outstanding-basic	1,035.6	1,072.1	1,039.0	1,074.1
Weighted-average shares outstanding-diluted	1,047.7	1,085.9	1,051.4	1,088.1

See Notes to condensed consolidated financial statements.

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

In millions	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Operating activities				
Net Income	\$ 1,410.2	\$ 1,225.8	\$ 2,619.2	\$ 2,315.6
Adjustments to reconcile to cash provided by operations				
Charges and credits:				
Depreciation and amortization	350.1	311.5	689.2	629.4
Deferred income taxes	38.7	(0.3)	25.7	(6.6)
Share-based compensation	20.1	18.8	44.1	44.7
Impairment and other charges (credits), net	2.4	6.8	2.4	37.6
Other	(42.3)	56.2	(52.0)	92.4
Changes in working capital items	(136.4)	(370.1)	(132.7)	