Valuation of the McDonald's Trademark

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The valuation of intellectual property[1] is challenging. Intellectual Property has become the most valuable category of assets for many companies, (Samuel 4) yet these assets are often difficult to quantify using traditional financial accounting and reporting methods. (Kossovsky) Spun with the realities of FASB 141, which indicate that forms of IP will need to be identified and valued makes knowing how to value IP a required skill. (Schweihs)

The valuation process becomes more of a challenge when national boundaries are crossed. The McDonald's corporation[1] is an international giant, owning and franchising over thirty thousand restaurants around the globe.

This paper will discuss the intangible factors that bring the McDonald's corporation value, beginning with a basic summary of facts, followed by a discussion of the McDonald's service mark, the factors that influence the service marks' value, how the mark is licensed via franchising, and how the trademark is defended in a legal context. In addition, issues regarding the international marketplace will be discussed and interpreted to provide valuations based on the cost, income and market methods for three pre-defined regions of the globe in which McDonald's operates.[2]

<u>About McDonald's</u>

The McDonald's corporation is the world's largest quick-serve fast food chain with 2001 system-wide sales of over $40,000M. Over the previous 11 years – the company has more than

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[1] Intellectual Property is defined as "a product of the intellect that has commercial value, including copyrighted property such as literary or artistic works, and ideational property, such as patents, appellations of origin, business methods, and industrial processes." Intellectual Property will be abbreviated "IP".
Source: Dictionary.com <http://dictionary.reference.com/search?q=intellectual%20property>

[1] McDonald's <http://www.mcdonalds.com>is the worlds largest quick-serve restaurant chain, operating and franchising over thirty thousand restaurants in 121 countries.

[2] McDonald's operates in five primary regions. They include the USA, Canada, Latin America, Europe, and APMEA (Asia, Pacific, Middle East and Africa). This paper will combine USA, Canada and Latin America into a single region to be named "North America".

doubled in size in terms of sales, net income, earnings per share and the number of system-wide restaurants.[3]

McDonald's serves over 46 million customers daily (*2001 Annual Report* 2) and boasts America's largest job-training program. (Royle 16) Recognition of its symbols is unprecedented. Ronald McDonald, for example, ranks second only behind Santa Claus, as the most recognizable "person" American children can think of, even ahead of the President. (Royle 16)

Approximately 80% of McDonalds restaurants are located in eight countries; Australia, Brazil, Canada, France, Germany, Japan, UK, and USA. (Yahoo.com) The largest concentration of restaurants is in the USA with over 13,000 outlets and a 43% market share. (Tsao 2) Distribution in the USA is saturated. Existing expansion efforts are minor with the concentration on restaurant/gas station combinations along interstate expressways and renovation of existing restaurants to make them larger to accommodate higher sales volumes.

McDonald's largest opportunities for growth are overseas. Over a twenty-year period between 1975 and 1995, the amount of revenue attributed to international has increased from 8 to almost 50% and there are significant opportunities for more growth. As an example, the USA has a smaller population than the European Union, yet USA citizens have between three and four times more McDonald's restaurants per person. The suggestion ignoring obvious cultural, business, and behavior differences between the continents it that McDonald's could expand much more in Europe and elsewhere. (Royle 32)

According to *McDonald's Corporation 2001 Summary Annual Repor*t, their financial success is a result of three strengths; the ability to forge bonds of trust with customers throughout the world,

[3] According to the Rule of 70 which states that 70 divided by the interest rate stated as an integer yields the amount of periods to halve or double in value. The compound annual rate of growth can be found by dividing 70 by the number of periods. The annual growth rate of the McDonald's corporation over the past 11 years was 6.36%

their expertise in finding, negotiating, building and managing a complex network of real estate locations, and their ability to execute a retail business model successfully in markets around the world. (Greenburg)

Approximately 75% of McDonald's outlets are operated by individual franchises rather than by the corporation.[4] (Leidner 48)(Thomas, Musgrave & O'Hara) This arrangement allows another person to use McDonald's service mark via a hybrid license. Smith and Parr view that the franchiser has developed proven methods and will provide continuous support to the business. Furthermore, the established trademark and reputation allows the franchised restaurant to grow faster than a restaurant without these items. (326)

In exchange for the service mark and other intangibles, the franchisee agrees to pay McDonald's published royalty and franchise fees. According to *McDonalds.com*, new owners must have substantial personal resources, including a minimum of $175,000 in non-borrowed personal funds and the ability to finance up to $775,000. McDonald's does not provide financing. Ongoing fees include a 4% service fee, a 4% advertising fee as well as rent of 8.5%: all based on gross monthly sales.

<u>Trademark / Service mark Characteristics</u>

A trademark, as defined in the Trademark Act of 1946[5], includes "any word, name, symbol or device in any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured by others."[6] A "service mark" is similar as it identifies the source of a service rather than a product. (Golden) Trademarks generally have little

[4] Thomas, Musgrave and O'Hara argue that franchise system exhibits superior performance when fewer of the locations are company owned. They view that when a company owns a higher percentage of its locations, the company tends to underestimate their implicit discount rates and overestimate future demand in downstream markets.
[5] 15 U.S.C. §1051 *et seq.*; 19 C.F.R. § 133.1 *et seq.*
[6] 15 U.S.C. §1127

value initially, but have the potential to appreciate through successful use. (Johnson) Trademarks also have the potential for an unlimited lifespan. Smith and Parr view this trademark as a guarantee by the seller to the consumer of a certain level of quality or performance. That predictability makes this asset valuable. (Smith and Parr 43) Trademarks can attract a larger, more loyal customer base that generates large sales volumes. (319)

McDonald's trademark has value because of three determinants. They are consistency of experience, location selection, and marketing.

Consistency of Experience

A key to McDonald's value is the customers' confidence in the ability to experience the same general quality and service at any McDonald's restaurant (Badenhausen 50) McDonald's has gone to extraordinary lengths to ensure quality control so that its product and service is consistent wherever the locations are. (Royle 30) This "system" is achieved in several ways. First is the 600 page operations and training manual. (Watson 21) Called "the bible" by McDonald's managers, the book describes company procedures and standards in detail. (Leidner 49, 58)

The standards for prospective franchises are challenging. Out of over 20,000 people who contacted McDonald's in 1991 about a new franchise, less than one in ten reached the interview phase and less than one in a hundred were accepted for training. (Watson 21)

The training is challenging. All prospective store franchisees must attend a two-week course at Hamburger University at their own expense. The coursework is rigorous and split between lab work in the restaurant and personnel management lectures. Graduates of Hamburger University learn to make sure McDonald's food is of consistent quality and the store remains in good working order. (Leidner 57-8) This extensive time commitment creates high attrition rates, which enables McDonald's to select only highly motivated and capable franchisees. (Royle 41)

Consistency is a major factor in the buildings. The architectural design of the interior and the exterior of the restaurant are carefully controlled to the point of exact measurements of virtually every item in the restaurant. (Watson 22) Finally, all equipment must be purchased from McDonald's approved suppliers.

Once the store opens, the owner is held by the franchise agreement that details the obligations of both the owner and the corporation. Quality control is maintained by McDonald's field consultants who periodically inspect restaurants on a 500-item checklist and a standardized 27-page inspection form. (Royle 39) Poorly performing franchisees may find their license cancelled at any time that standards fail to be met. (Royle 41)

Location Selection

McDonald's holds high standards for restaurant location selection. The standards are designed to only consider locations that ensure appropriate customer flow. *McDonald's Corporate* website indicate several requirements including being on a corner of a "signalized intersection" of two major streets. The location must have room for a 5,500 square foot building a minimum of 22 feet high and generous parking. Standards are somewhat flexible for different countries but share the same concepts. McDonald's typically owns most of the restaurant property, and chooses to rent the stores for new franchises as a way to control quality and minimize potential legal issues if the company revokes the franchise agreement or decides to offer the franchise to another individual.

Marketing

Smith and Parr argue that trademark value can be built by extensive advertising and public relations creating recognize-ability and identification in a positive form. (Smith and Parr 49)

McDonalds is a leader in global advertising expenditures ranking 14th in the November 2001 study by *Advertising Age* magazine. The company spent $694M in 48 countries outside the US, 26% above the previous year. McDonald's ranks 18th in the USA by spending $1,194M on advertising. The only comparable chain would be Yum Brands (owners of KFC, Pizza Hut and Taco Bell) who spent $676M. (*Advertising Age* 24 Jun. 2002)

Legal Issues

McDonald's maintains the value of its trademark by vigorously defending it worldwide from infringement and debasement. Some important examples follow:

In *McDonald's Corporation v. Dat Do*[7], McDonald's sued a franchisee with a poor performance record. McDonald's received a summary judgment, obtaining not only injunctive relief against any future use of its mark by the franchisee, but also post-termination trademark infringement damages equal to the royalties McDonald's would have otherwise received. (Shapiro)

In the case of *Principe v. McDonald's Corp.*[8], the court determined that McDonald's practice of requiring licensees to operate their franchises in premises leased from the franchisor is not an illegal tying arrangement in violation of the Sherman Act.[9]

Finally, in McDonalds Corporation vs. McBagel's Inc.[10] McDonald's was granted injunctive relief from the defendant's use of the "Mc" suffix for its restaurant as it was considered confusingly similar to its own trademark. This contrasts with a case in the United Kingdom in which a British based Chinese restaurant scored a legal victory that "allowed him to call his Asian quick-serve chain McChina Wok Away." (Elan 19) The court ruled that the name was neither confusing nor deceptive

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[7] McDonald's Corp. v. Dat Do, Civil Action No. 00-1592-A, UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA, ALEXANDRIA DIVISION, 2001 U.S. Dist. LEXIS 10457

[8] Principe v. McDonald's Corp., Civ. A. No. 78-0606-R, UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA, RICHMOND DIVISION, 463 F. Supp. 1149; 1979 U.S. Dist. LEXIS 15077; Fed. Sec. L. Rep. (CCH) P96,792, and Principe v. McDonald's Corp., No. 79-1702, UNITED STATES COURT OF APPEALS, FOURTH CIRCUIT, 631 F.2d 303; 1980 U.S. App. LEXIS 13657; 208 U.S.P.Q. (BNA) 377; 1980-2 Trade Cas. (CCH) P63,556

[9] Sherman Act § 1, 15 U.S.C. § 1. n1

[10] McDonald's Corp. v. McBagel's Inc. No. 85 Civ. 7868 (JMW), UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, 649 F. Supp. 1268; 1986 U.S. Dist. LEXIS 16679; 1 U.S.P.Q.2D (BNA) 1761; 95 A.L.R. Fed. 1

to customers and that the company was "seeking to monopolize all names and words with prefix Mc or Mac, at least in relation to food or restaurant services." (Elan 19)

Global Issues

McDonald's was the fast food pioneer in many countries. These developments have made the company truly global and now account for about half of all system sales and more than half of profits. The first overseas restaurants were in the Caribbean and South America in 1965 and Canada in 1967. While the restaurants may have slightly different looks, the operations are the same as their domestic counterparts. The only flexibility that appears in the system are menu alterations designed to align McDonald's to a particular countries' culture or religious beliefs. Examples include McSpaghetti noodles in the Philippines; McLaks salmon rolls in Norway, Vegetable McNuggets and a mutton-based Maharaja Mac in India. (Watson 23)

Adjustments to the food menu have made international expansion easier, however there have been significant obstacles and risks, which can cloud valuations.

McDonald's has had difficulty in finding suppliers that are qualified and agree to follow McDonald's suggestions or directives to ensure quality. McDonald's solution has been to turn to established suppliers to build facilities in these foreign countries or to do it themselves. (Royle 30)

Other risks Smith and Parr view include the ability to expatriate earnings, political and economic risks, nationalization and destruction by civil wars and terrorists. (Smith and Parr 458)

Economies that are state-controlled (e.g. China) require a completely different profit extraction process, of which McDonald's has been successful. However, legal and political restrictions would make it difficult to sell the rights or protect them in a court of law (Smith and Parr 457)

Other international issues of concern for McDonald's include declining profit margins, outbreaks of Mad Cow Disease in Europe (Papiernik), and a growing sense of anti Americanism in various parts of the globe.

Domestic Issues

In the USA, the trend of eating away from home more often will continue. The National Restaurant Association predicts that the restaurant industry share of USA food dollars will rise from 46% to 53% in 2010. Total expenditures are expected to increase by $87,000M – in real terms – over a ten-year period ending in 2010 (*McDonalds Annual Report 2001,* 7)

The trend of higher restaurant sales, however, may bypass fast food altogether. The fastest growing chains in the USA fall in the category of "quick casual", including chains such as Panera Bread, Fazoli's and Chipotle Mexican Grill. (Leung B1) Food service consultancy Technomic forecasts double-digit sales increases for this type of restaurant, whereas fast-food outlets are struggling to achieve any increase at all. (Technomic)

Valuation

To create the best range of value for the trademark, we must value McDonald's using the three primary methods; Cost, Income, and Market. Smith and Parr feel that the best method for trademarks/brands and franchises is the Income method, followed by Market, and finally by cost. (Smith and Parr 318) All valuations have been created with a conservative slant. Assumptions include that McDonald's will face pressure to maintain sales at current levels worldwide with the biggest difficulties in the USA. Also assumed is a worldwide slow down in restaurant expansion.

Cost Method

The cost method only values the cost to create what was created before, however it fails to recognize additional value created by time, by a particular name, and availability of comparable items. Internationally, there are more issues including the availability of property especially in places where it is not readily available, taxes and duties, and potential delays. (Smith and Parr 456). I will use a cost of replacement less depreciation plus marketing/advertising cost. As Smith and Parr discussed, a potential formula of CORLD = CRN – PD – FO, could be appropriate for replacement, however the formula does not account for the amount of advertising and other marketing activities. By adding + ADV to the formula, it will make it more plausible.

The *McDonalds 2001 Annual report* states that average development costs for new traditional restaurants in the USA system were $1.7M in 2001, (*McDonalds Annual Report 2001,* 35) while average development costs for new traditional restaurants outside the USA excluding Japan were about $1.5M. (*McDonalds Annual Report 2001,* 36)

The figure to add to the equation to account for advertising is one that cannot be easily created. McDonald's has built brand awareness through advertising for over 40 years. The amount needed would have to greatly exceed the current amount of advertising purchased by McDonald's as McDonald's uses advertising to maintain awareness levels, rather than to just create awareness. Using the most recent figures available from *Advertising Age*, McDonald's spends about $2,000M in advertising worldwide with just under half being spent outside the USA. To reach the awareness level of McDonald's you would easily have to spend at least twice the annual amount for a minimum of two years; about $8,000M.

The construction costs are estimated at $22,268M for the USA, and $18,145M to construct the remaining 12,097 outside of the U.S. but not in Japan. Japans' development costs are $4,586M s since the company develops mostly smaller locations, giving a total development cost of $45,000M. McDonalds depreciates buildings on a straight-line forty-year scale and twelve-year scale for equipment. If it were assumed that the average restaurant has been owned for twenty years and the average equipment for six then the development cost would be cut to $22,500M. If the advertising is applied half to North America and a quarter to Europe and APMEA, the valuation for North America would be $16,715M, for Europe $6,089M and APMEA $7,694M.

Income

The income approach is the primary method for valuing franchises and must reflect the difference in present value of cash flows for non-franchise and franchise firms. These additional flows above the companies' generic activities are called premium returns and are considered the amount applicable to intellectual property. This approach is easy to use in the USA, but becomes considerably more challenging internationally. (Smith and Parr 457)

To obtain a correct figure, there must be an accounting for economic life. The economic life of the trademark needs to be maintained by fulfilling expected service and quality levels as well as ongoing advertising to maintain awareness levels. Pending these maintenance items, many view a trademark as having a potential indefinite economic lifespan. It can be argued that the attrition of licenses through location closings would create a limited lifespan. However, Smith and Parr assert that franchises that drop out will be replaced by new franchisees if the business remains viable and the franchiser makes the investment to obtain replacements. (Smith and Parr 296).

Finally, to make the income valuation more accurate, we must count income realized from both the owner and the franchises' use. Smith and Parr state that the value will typically be more than the royalty paid. (Smith and Parr 336)

The figure used to determine profits will be three-year average margins. In North America 18.6%, Europe 18.1%, APMEA 14.9%. Also used is the 10-year average USA inflation rate of 2.5% and a 10-year net present value scale.

For Europe, figures from the United Kingdom and France will be used as base figures for the continent. For APMEA, Japan will not be used as a base country. Despite having McDonald's largest location presence in the region, the information would provide misleading results. This is due to the wide variations of economies in this region, the presence of many closed markets, political instability, and a lack of comparable restaurants. In addition, the amount of restaurants in Japan has reached a near saturation point – unlike all of the other countries in the region. The value forecasted is a conservative estimate, due to the many current worldwide concerns. As an example, the forecast for the Middle East is an annual increase in restaurants of 5% a year, well below the previous average of 18.4% per year. Planned closings in the Middle East will be offset by robust expansion plans in China. (Chang)(*McDonald's Investor Release* 11-8-2002)

Market

The market approach is the most direct and the most easily understood appraisal technique because it measures present value of future benefits by obtaining a consensus of what others in the marketplace feel it is worth. (Smith and Parr 170) This valuation requires an active public market and an exchange of comparable properties. Smith and Parr stress that the market method is the most difficult to apply worldwide due to problems with the lack of transactions or lack of information of these transactions or legal/political restrictions in countries that are developing or state-controlled. (Smith and Parr 457)

The most comparable fast food chain to be sold would be Burger King. Burger King has 11,450 restaurants in 58 countries. (Burgerking.com) Diageo[11] had originally agreed to sell the chain to a buyer group composed of USA investors for $2,260M on a debt free basis. (*Diageo* July 25, 2002) The soft sales environment of fast food and concern about the financing to be obtained to

[11] Diageo is the worlds leading producer of premium alcoholic beverages. Burger King is their only food asset.

Income Valuation - McDonald's Trademark

All Numbers are in Millions of Dollars

	Avg. Sales	Bonus Sales	Bonus Profit	Projected: Location Increase in % per year	Projected Sales Increase	NPV of CF over 10 years
USA	0.572	1.078	2,372	0.60%	2.00%	7,630
Canada	0.346	1.123	214	1.13%	2.00%	730
Latin America	0.015	1.138	180	10.00%	2.00%	910
Total: North America						9,270
Europe	0.272	1.450	1,520	5.00%	1.00%	5,820
APMEA*			943	5.00%	1.00%	3,610
Total: World						18,700

Avg. Sales sources include National Restaurant Association (USA), Statistics Canada (Canada), Brazilian Institute for Geography and Statistics (Latin America) and OECD Structural Statistics for Industry and Services Core Data 1992-99. Note – OECD relies on participating governments with different methodologies.

*APMEA is valued by using the European valuation as a rough guide with valuation of cash flow based on the percentage of bonus income and the profit margin of the region.

Burger King vs. McDonalds

Sales Dollars are in Millions

	McDonald's	Burger King	Difference between BK and McD	% Difference between BK and McD
System-wide Sales	40,630	11,455	29,175	255%
Sales Per Restaurant USA	1.650	1.055	0.595	56%
Sales Per Restaurant - Rest of World	1.312	0.859	0.453	53%
Number of Restaurants USA	13,099	8,146	4,953	61%
Number of Restaurants - Rest of World	16,994	3,309	13,685	414%
Business Conducted in Number of Countries	118	58	60	
Net Profit	1,637	257	1,380	537%
Net Assets	22,535	2,200	20,335	924%
Potential Sale Price		2,260		

Sources: Diageo, Burger King Corporate Website, and McDonalds 2001 Annual Report

complete the transaction has resulted in the sale being put on hold pending further negotiation. (*Diageo* November 7, 2002) The picture painted for Burger King is one of very little IP value, with Diageo agreeing to sell the chain for only $60M above listed assets. It is important to understand that Diageo is eager to sell off Burger King in order to concentrate on its core business.

Market valuation will be reached by using McDonald's stock price, multiplied by number of shares, and added by value of long-term debt to create the Invested Capital value. The market value of McDonald's attributable to intellectual property and intangible assets is the remaining amount after Net Working Capital, Fixed Assets and other assets is subtracted. The value of each region is extrapolated by multiplying by the percentage of companies' profits provided by the region. The problem with using the current stock price of McDonald's to make this valuation is that the company is being traded at a stock price less than half of what it was 2 years ago, and profits only twenty percent off. A fair assumption would be to do the valuation based on the value of the stock, if it were halfway between the current P/E ratio and the P/E ratio of the industry. Both valuations are provided.

Discussion

The computation of the three valuation methods indicates two methods with similar results and an outlier. The cost method, while providing a figure on how to rebuild the franchise and help gain awareness to near levels that McDonald's currently enjoys, does nothing to account for almost fifty years of experience and growth that McDonald's endured. Simply attempting to re-create the trademark value is a questionable activity because it can be inferred that the world can only support one such entity and that an additional entity could never reach the same level of valuation as long as McDonald's continued to reinforce its trademark and its value through the knowledge they have obtained.

Since there is not a comparable institution such as McDonald's the market method becomes all about the price of stock; which is currently trading near 5 year lows. The price of McDonald's stock remains well below the industries' P/E ratio, and a rally taking the stock value up to the market price at the end of 1999 would place the trademark value at four times the level of the value on November 15, 2002. Valuation of the trademark using the industry P/E seems to give a more realistic figure in the current economic environment. If the stock market experienced another period of unsustainable growth that affected all industries, you could easily find the company worth three times the current value but only providing the same level of profits. Clearly, this valuation system has problems and must not be the primary method.

The income method is viewed as the best method because it uses the premium profits a trademark earns over a generic firm without the trademark, and then discounts them using net present value. The income method will provide a more consistent figure than the market method, which can waiver greatly on the emotions of stockholders. As long as the profits are there and reasonably consistent, and as long as the trademark brings extra sales as opposed to the typical restaurant, the formula is the most accurate of all three. For a mature company such as McDonald's, it can be inferred that the income valuation method would be the best to properly value the McDonald's trademark.

Market Valuation - McDonald's Trademark

Number of Outstanding Shares in Millions - All financial figures except for Stock Price are in Millions of Dollars

	McDonald's Corporation Closing Stock Price 11/15/2002	**Assuming same P/E Ratio as industry**	**Assuming P/E Ratio halfway between[12] McDonald's Current P/E ratio and the restaurant industry.**
Stock Price	$17.38	$26.09	$21.74
P/E Ratio	13.94	20.93	17.44
Invested Capital	30,746	41,895	36,327
Value of Company Attributed to Intellectual Property	9,033	20,182	14,614
IP Value - North America	6,383	11,274	8,163
IP Value - Europe	1,705	3,809	4,938
IP Value - APMEA	935	2,089	1,513

Number of Outstanding Shares	1,280
Value of Long Term Debt	8,550
Working Capital	990
Fixed Assets	17,298
Other Assets	3,425

Source - Yahoo Finance Industry Figures and stock price closing 11/15/2002. McDonald's balance sheet figures from *2001 McDonald's Annual Report*

[12] Halfway between is the midway point between the current McDonald's price-to-earnings ratio and the price-to-earnings ratio of the fast food restaurant industry.

McDonald's Trademark Valuations

All Figures are in Millions of Dollars

	Cost	Income	Market
North America	16,715	9,270	8,163
Europe	6,089	5,820	4,938
APMEA	7,694	3,610	1,513
Total World	30,498	18,700	14,614

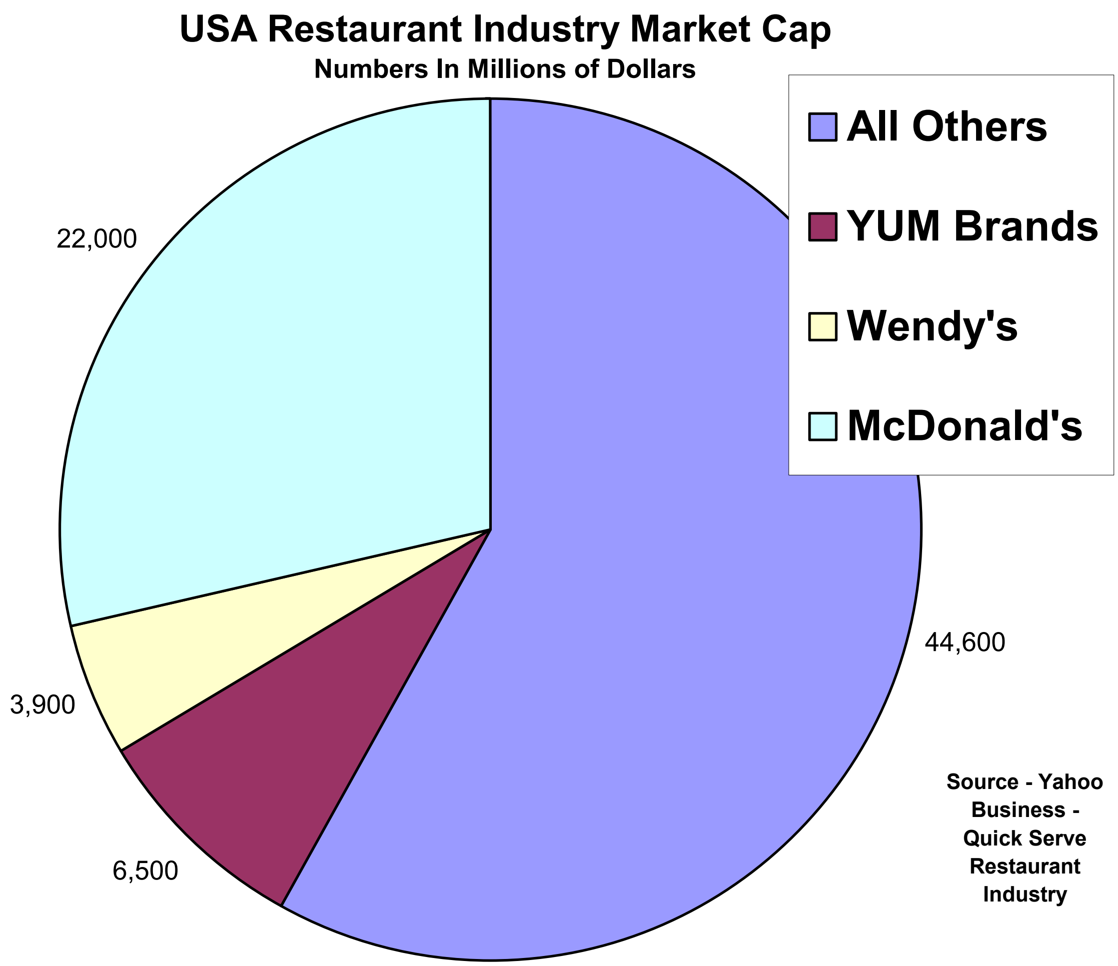
McDonald's Trademark Valuations

Percentages

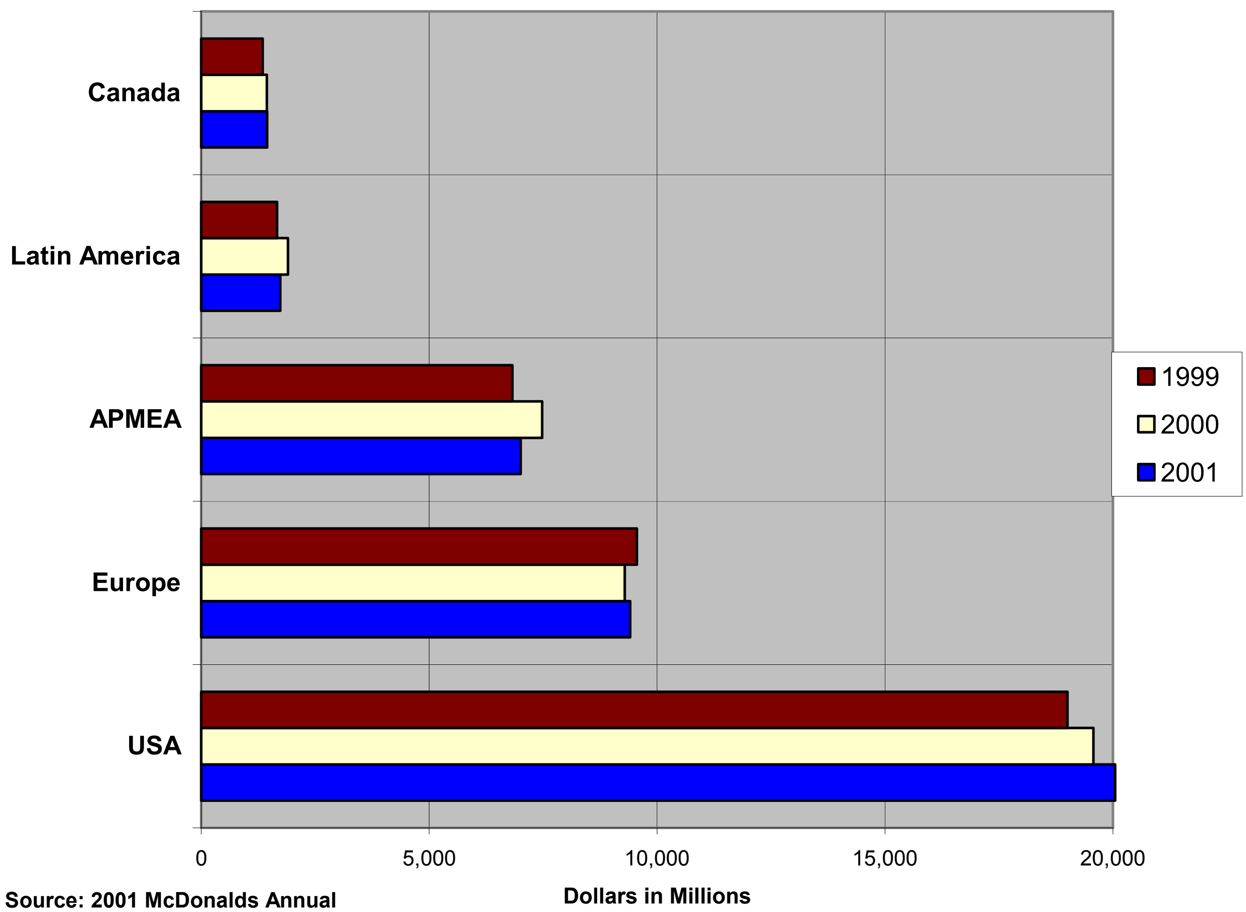
	Cost	Income	Market
North America	54.8%	49.6%	55.9%
Europe	20.0%	31.1%	33.8%
APMEA	25.2%	19.3%	10.3%
Total World	100.0%	100.0%	100.0%

OECD Restaurant Statistics

	Establishments	Total Restaurant Revenue in Local Currency	Exchange Rate Amount of Local Currency to Purchase 1 USD	Average Restaurant Sales in USD	Average McDonald's Restaurant Sales	# of McDonald's Restaurants in Country
Austria	21,772	*	*	*	*	154
Czech Republic	11,338	42,354	30.89	0.121	2,130	62
Finland	11,059	1,333	0.99	0.122	2,130	89
France	146,691	27,886	0.99	0.193	2,130	913
Hungary	7,112	60,551	241.90	0.035	2,130	80
Italy	196,293	38,192	0.99	0.198	2,130	320
Korea	564,686	33,567,521	1,225.04	0.049	1,440	324
New Zealand	9,288	*	*	*	*	147
Poland	73,522	*	*	*	*	189
Portugal	52,603	5,888	0.99	0.114	2,130	104
Slovak Republic	86	2,350	41.58	0.657	2,130	13
Sweden	17,057	*	*	*	*	240
Turkey	144,299	1,427,197,000	1,694,915.00	0.006	1,440	129
UK	114,353	26,118	0.64	0.357	2,130	1,010
All monetary values are in millions *Indicates Data not available						

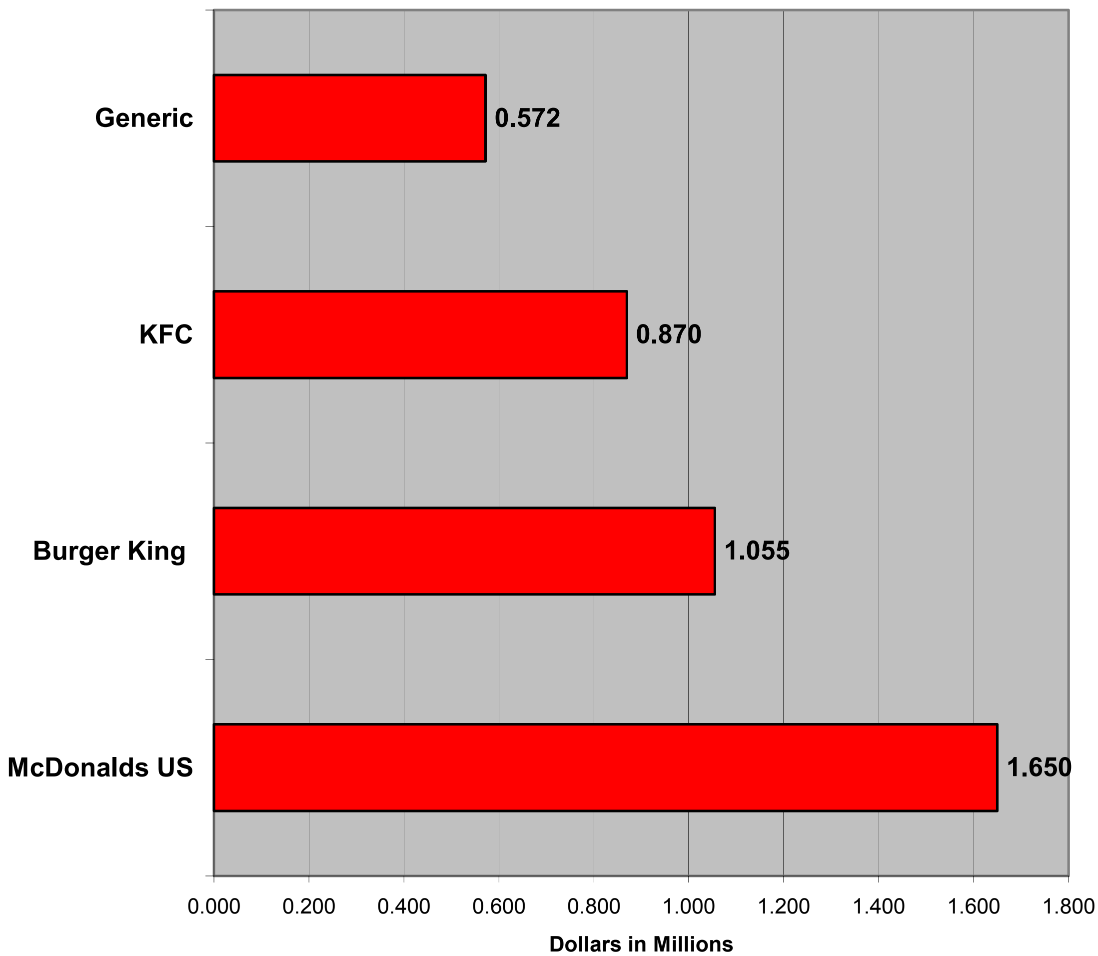

USA Restaurant Industry Market Cap
Numbers In Millions of Dollars
All Others
YUM Brands
Wendy's
McDonald's
22,000
44,600
3,900
6,500
Source - Yahoo Business - Quick Serve Restaurant Industry

McDonald's Systemwide Sales by Region 1999-2001

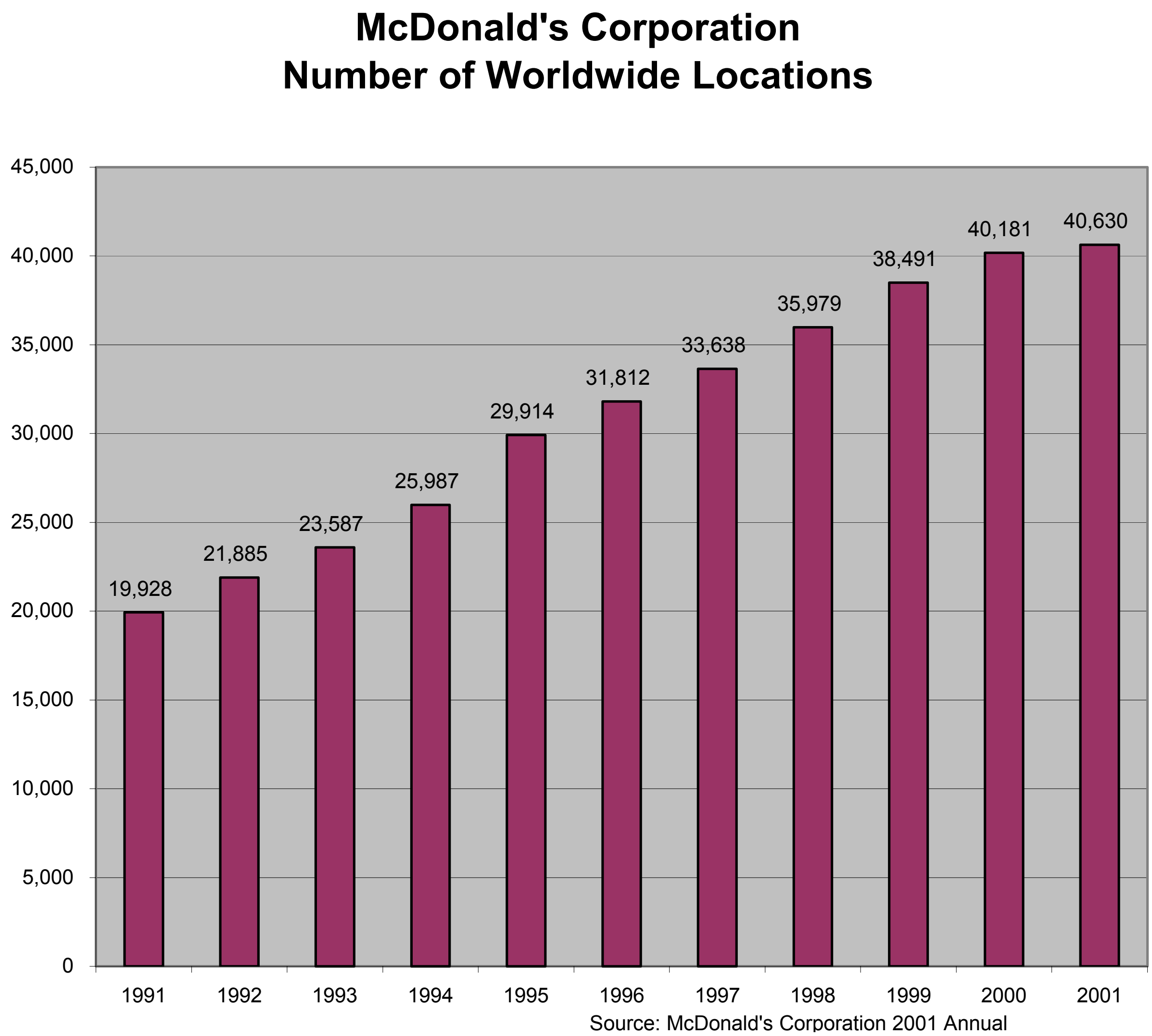


Source: 2001 McDonalds Annual Report

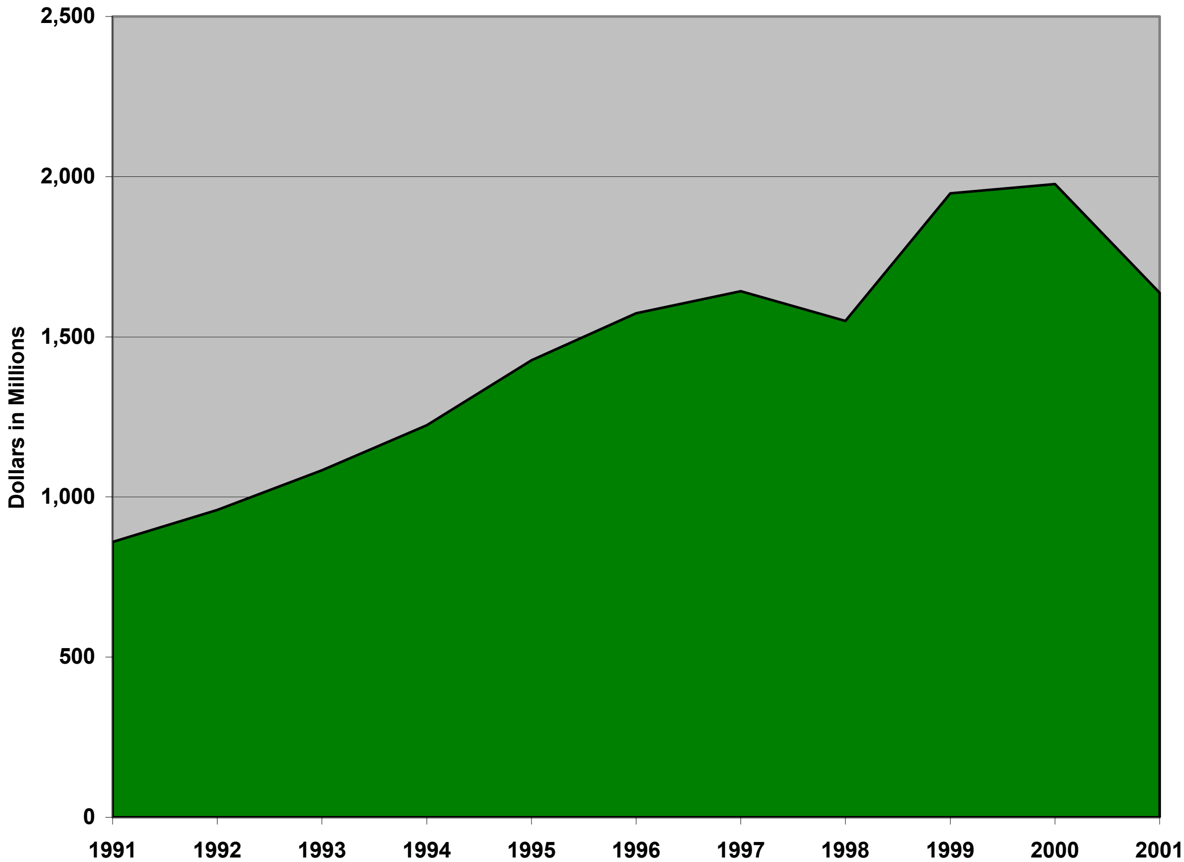
Average Sales Per Restaurant - US 2001



Sources: National Restaurant Association, KFC and Burger King Corporate Websites' and 2001 McDonald's Annual Report

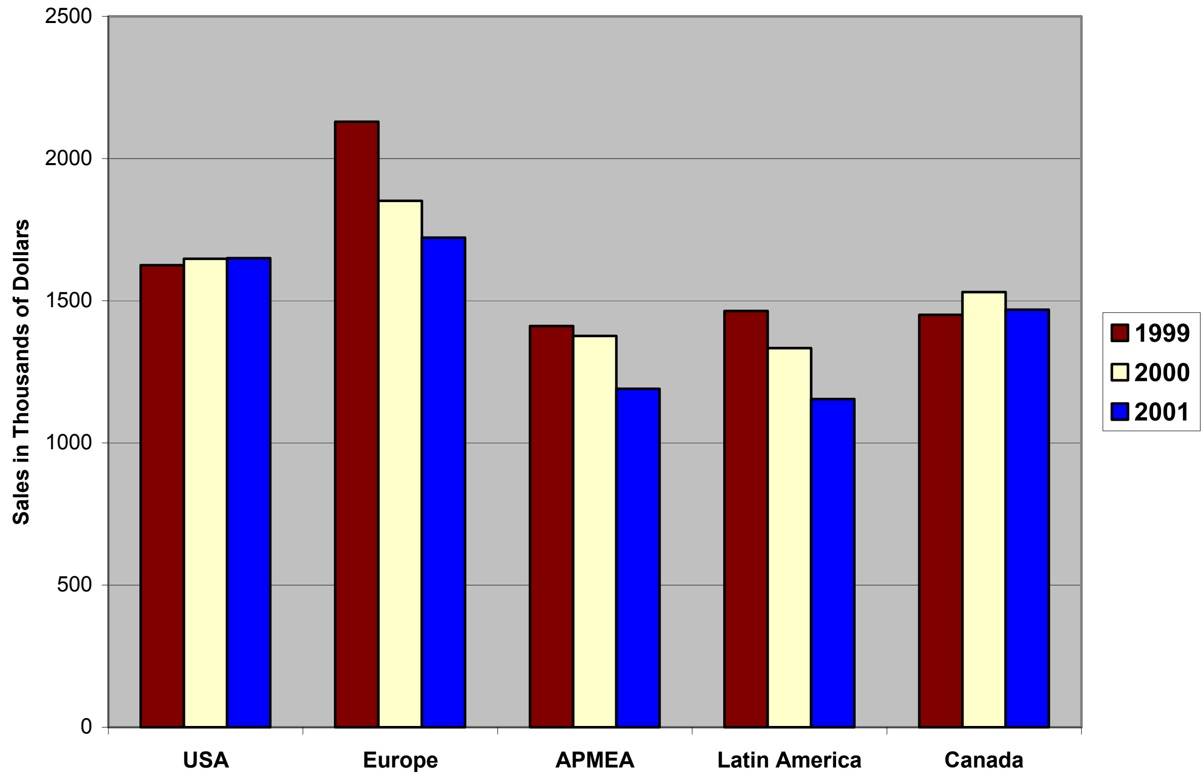

McDonald's Corporation
Number of Worldwide Locations
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
19,928
21,885
23,587
25,987
29,914
31,812
33,638
35,979
38,491
40,181
40,630
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
Source: McDonald's Corporation 2001 Annual

Net Income - McDonald's Corporation



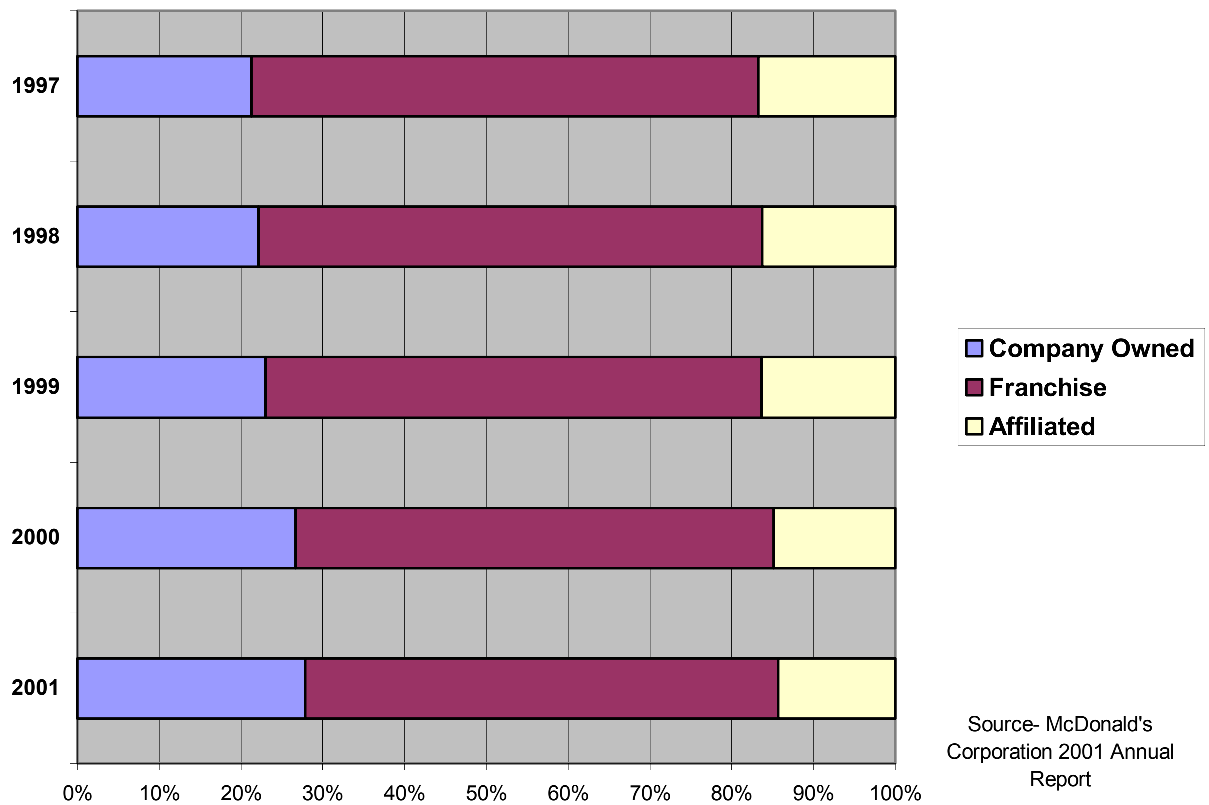
Source - 2001 McDonald's Corporation Annual

Sales Per Restaurant - McDonald's Corporation



Source - 2001 McDonald's Corporation Annual

McDonald's Comparison Trends



Abbreviations

ADV – Allotment for advertising

APMEA – McDonald's operating region that includes Asia, Pacific, Middle East, and Africa

CF – Cash Flow,

CORLD – Cost of Replacement less depreciation

CRN – Cost of Replacement, New

EUROPE – McDonald's definition of Europe containing western and eastern regions of Europe as well as Russia

FO – Functional Obsolescence

IP – Intellectual Property

M – In Millions

NPV – Net Present Value

P/E – Price to Earnings

PD – Physical Depreciation

USA – United States of America

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