

Global Comparable Sales Drive Strong Second Quarter Results at McDonald's

2008-07-23

McDonald's Corporation today announced strong operating results for the second quarter, driven by global comparable sales growth of 6.1%.

"Our strategic focus on putting the customer first in everything we do continues to yield outstanding operating results," said Chief Executive Officer Jim Skinner. "For the quarter, we grew comparable sales and guest counts across all geographic segments and delivered increased profitability. These results are a testament to the strength and resilience of McDonald's Plan to Win."

McDonald's reported the following second quarter highlights:

Global comparable sales increased 6.1%

Growth in consolidated Company-operated and franchised restaurant margins for the tenth consecutive quarter

Earnings per share from continuing operations of \$1.04, a 44% increase (35% in constant currencies) over the prior year, after adjusting for the impact of the 2007 Latin America transaction. Second quarter 2008 earnings include a \$0.10 per share gain from the previously announced sale of the Company's minority interest in Pret A Manger

The Company repurchased 13.3 million shares of its stock for \$788 million and paid \$422 million in quarterly dividends

Jim Skinner continued, "Our ongoing performance demonstrates that McDonald's is a trusted and familiar brand offering value, convenience and choice worldwide. We're operating from a position of strength with double-digit operating income growth in Europe and Asia/Pacific, Middle East and Africa and solid quarterly results in the U.S."

For McDonald's U.S., comparable sales were up 3.4% and operating income increased 6% for the quarter. The U.S. business continues to increase sales and guest counts through initiatives that provide value and variety to the consumer. The four key growth strategies of chicken, breakfast, beverages and convenience drove results with the nationwide launch of the Southern Style Chicken Biscuit and Sandwich and locally relevant beverage promotions.

In Europe, comparable sales increased 7.4% and operating income rose 29% (13% in constant currencies) as emphasis on delivering an improved customer experience along with unique marketing and signature menu options drove performance. Europe's three-tier menu offerings, innovative new products and restaurant reimagining continue to give customers even more reasons to visit McDonald's.

Asia/Pacific, Middle East and Africa delivered strong results, led by Australia and China along with broad-based strength throughout the segment. Second quarter comparable sales increased 8.8%, driving operating income up 37% (22% in constant currencies). Throughout Asia/Pacific, Middle East and Africa, McDonald's everyday value, convenience and appealing product offerings are fueling results.

Skinner added, "Around the world, McDonald's is powered by the contributions of a dedicated System of owner/operators, suppliers and employees who are committed to satisfying every customer, every time. I am confident that our collective focus on delivering great-tasting quality food at a compelling value will continue to drive McDonald's momentum."

KEY HIGHLIGHTS - CONSOLIDATED

Dollars in millions, except per share data

	Quarters ended June 30,			Six months ended June 30,		
	2008	2007*	%Inc/ (Dec)	2008	2007*	%Inc/ (Dec)
Revenues	\$6,075.3	\$5,839.4	4	11,690.1	\$11,132.1	5
Operating income (loss)	1,654.2	(181.7)	n/m	3,117.0	999.6	n/m
Income (loss) from continuing operations	1,190.5	(708.4)	n/m	2,136.6	58.1	n/m
Income (loss) from discontinued operations		(3.3)	n/m		(7.4)	n/m
Net income (loss)	1,190.5	(711.7)	n/m	2,136.6	50.7	n/m
Earnings (loss) per share from continuing operations-						

diluted Earnings (loss) per share-diluted	1.04	(0.59)	n/m	1.85	0.05	n/m
	1.04	(0.60)	n/m	1.85	0.04	n/m

n/m Comparisons are not meaningful due to the impact of the Latin America transaction described below.

In August 2007, the Company completed the sale of its businesses in Brazil, Argentina, Mexico, Puerto Rico, Venezuela and 13 other countries in Latin America and the Caribbean to a developmental licensee organization. The Company refers to these markets as "Latam." Under the new ownership structure, the Company now receives only royalties in these markets instead of a combination of Company-operated sales and franchised rents and royalties.

In addition to the reported results for the quarter and six months ended June 30, 2007 shown above, consolidated results for these periods are presented throughout this report excluding the impact of the Latam transaction. Management believes the Latam transaction and the associated charge are not indicative of ongoing operations due to the size and scope of the transaction. Management believes that the adjusted results better reflect the underlying business trends relevant to the periods presented.

The following tables present reconciliations of the key consolidated highlights for the quarters and six months ended June 30, 2008 and 2007 to the highlights excluding the net impact of the impairment charge from the Latam transaction.

Quarters ended June 30,	2008	2007*	Latam Trans	2007 Excl Latam Trans	Adj % Inc	Curr- Trans Bene- fit	Adjusted %Inc/ (Dec) Excl Curr- Trans
Revenues	\$6,075.3	\$5,839.4		\$5,839.4	4	\$ 374.9	(2)
Operating income (loss)	1,654.2	(181.7)	\$(1,594.4)	1,412.7	17	111.1	9
Income (loss) from continuing operations	1,190.5	(708.4)	(1,581.6)	873.2	36	73.1	28
Income (loss) from discontinued operations		(3.3)		(3.3)	n/m		n/m
Net income (loss)	1,190.5	(711.7)	(1,581.6)	869.9	37	73.1	28
Earnings (loss) per share from continuing operations-diluted	1.04	(0.59)	(1.31)	0.72	44	0.07	35
Earnings (loss) per share-diluted	1.04	(0.60)	(1.31)	0.71	46	0.07	37

Six Months ended June 30,	2008	2007*	Latam Trans	2007 Excl Latam Trans	Adj % Inc	Curr- Trans Bene- fit	Adjusted %Inc/ (Dec) Excl Curr- Trans
Revenues	\$11,690.1	\$11,132.1		\$11,132.1	5	\$ 720.4	(1)
Operating income (loss)	3,117.0	999.6	\$(1,594.4)	2,594.0	20	208.5	12
Income (loss) from continuing operations	2,136.6	58.1	(1,581.6)	1,639.7	30	134.1	22
Income (loss) from discontinued operations		(7.4)		(7.4)	n/m		n/m
Net income (loss)	2,136.6	50.7	(1,581.6)	1,632.3	31	134.1	23

Earnings (loss) per share from continuing operations- diluted	1.85	0.05	(1.29)	1.34	38	0.12	29
Earnings (loss) per share- diluted	1.85	0.04	(1.30)	1.34	38	0.12	29

n/m Not meaningful

* The results for the quarter and six months ended June 30, 2007 included impairment and other charges of \$1,611.9 million associated with the Latam transaction, partly offset by a benefit of \$17.5 million due to eliminating depreciation on the assets in Latam in mid-April 2007 in accordance with accounting rules. The resulting tax benefit of \$12.8 million was minimal in the second quarter 2007 due to the Company's inability to utilize most of the capital losses generated by this transaction.

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