

INVESTOR'S EDGE

# Stock pullback an opportunity to buy a piece of McDonald's

## Price has risen nearly 60% since a July 2016 column

*"The more you give of yourself, the more you receive." — Ray Kroc*



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In July 2016, I recommended shares of McDonald's (ticker symbol: MCD). Since that column was published, the McDonald's stock price is up nearly 60%, while the S&P 500 is up about 42%. That's a superb return for a blue chip, conservative stock. I hope you took a bite of that recommendation!

Currently, the Dow Jones Industrial Average is above 27,000, having just hit a new all-time high. At the time of this writing, McDonald's sells at \$191 per share, almost 15% off its all-time high of \$222, reached just six weeks ago. In this month's column, 3½ years later, I am going to reiterate my recommendation of McDonald's, because I believe the recent pullback presents an excellent entry point for serious, long-term investors.

Look, we all know McDonald's pretty well. After all, it is the world's largest restaurant company, sporting more than 38,000 locations in 120 countries and serves around 1% of the world population daily!

Year after year, those iconic golden arches help make McDonald's one of the world's most valuable brands that has also been an incredible wealth-creating investment over many decades.

Today, McDonald's is leading the restaurant industry forward with cutting-edge technology and improvement initiatives aimed at reducing costs and enhancing the customer experience. The company is currently rolling out its "Experience of the Future" plan, which involves the updating and modernization of many of its U.S. restaurants by the end of 2020. This includes a new kiosk ordering system, remodeled counters and digital menu boards, enhanced drive-thru, and redesigned parking spaces for curbside pick-up.

These technological improvements will drive higher profitability and the overall customer experience — which should help significantly raise McDonald's stock price.

McDonald's has recently announced several strategic partnerships, including delivery with UberEats and "plant-based sandwiches" with Beyond Meat. Combined with both its expanded all-day breakfast and healthier eating options, McDonald's is aiming to reach a larger basket of customers.

While McDonald's is about as American as apple pie, you might not know that nearly two-thirds of the company's sales come from international markets. McDonald's is continuing to aggressively pursue further international expansion efforts,

particularly in China, where the company already reaches more than 100 million customers and is in the process of rolling out more than 2,000 new locations.

McDonald's is nicely off its high, with its shares pulling back largely because of its third quarter 2019 earnings results, which came in lighter than expected and showed increasing domestic competition from peers, namely from alternative meat and chicken sandwich options.

It should be noted, however, that the company has beaten earnings expectations in six of the past eight quarters and has an impressive 12.5% average annual earnings growth rate over the last four years. Rest assured, as they have done so many times in the past, McDonald's will adapt to the competitive challenges, and I believe this pullback is actually a buying opportunity.

A McDonald's investment provides a consistent, growing income stream.

At the time of this writing, McDonald's pays a dividend yield of 2.5% and has grown its rate paid to shareholders for 43 consecutive years.

McDonald's is one of just 57 Dividend Aristocrats, an exclusive group of stocks in the S&P 500 with more than 25 years of consecutive dividend increases. You can enjoy a lot of happy meals on that income!

While every client is different, the core pillar of my firm's investment approach is to structure portfolios around high-quality companies with rising earnings and dividend streams with wide economic moats.

McDonald's is all that. Sometimes the best investment idea are right in front of you. Before you eat your next Big Mac, make sure you have bought some McDonald's stock. Bon Appétit!

*Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at [jburns@jwburns.com](mailto:jburns@jwburns.com)*

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