

## **Item 19**

### **Financial Performance Representations**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Of the approximately 12,605 domestic traditional McDonald's restaurants opened at least 1 year as of December 31, 2023, approximately 79% had annual sales volumes in excess of \$3,000,000; approximately 72% had annual sales volumes in excess of \$3,200,000; and approximately 65% had annual sales volumes in excess of \$3,400,000. The average annual sales volume of domestic traditional McDonald's restaurants open at least 1 year as of December 31, 2023, was \$4,001,000 during 2023. The highest and lowest annual sales volume in 2023 for these domestic traditional McDonald's restaurants was \$19,556,000 and \$1,098,000, respectively. The median annual sales volume of domestic traditional McDonald's restaurants open at least 1 year as of December 31, 2023, was \$3,837,000 during 2023.

Of the approximately 11,972 domestic traditional franchised McDonald's restaurants opened at least 1 year as of December 31, 2023, approximately 78% had annual sales volumes in excess of \$3,000,000; approximately 71% had annual sales volumes in excess of \$3,200,000; and approximately 64% had annual sales volumes in excess of \$3,400,000. The average annual sales volume of domestic traditional franchised McDonald's restaurants open at least 1 year as of December 31, 2023, was \$3,964,000 during 2023. The highest and lowest annual sales volume in 2023 for these domestic traditional franchised McDonald's restaurants was \$19,556,000 and \$1,098,000, respectively. The median annual sales volume of domestic traditional franchised McDonald's restaurants open at least 1 year as of December 31, 2023, was \$3,797,000 during 2023.

Of the approximately 633 domestic traditional McOpCo restaurants opened at least 1 year as of December 31, 2023, approximately 96% had annual sales volumes in excess of \$3,000,000; approximately 94% had annual sales volumes in excess of \$3,200,000; and approximately 89% had annual sales volumes in excess of \$3,400,000. The average annual sales volume of domestic traditional McOpCo restaurants open at least 1 year as of December 31, 2023, was \$4,711,000 during 2023. The highest and lowest annual sales volume in 2023 for these domestic traditional McOpCo restaurants was \$9,664,000 and \$1,873,000, respectively. The median annual sales volume of domestic traditional McOpCo restaurants open at least 1 year as of December 31, 2023, was \$4,612,000 during 2023.

The pro forma statements included below show annual sales volumes of \$3,000,000, \$3,200,000, and \$3,400,000. These pro forma statements have been derived from independent franchisee traditional restaurant financial statements to provide information relevant to a prospective franchisee (see Note 1). Specific assumptions used in the presentation of these pro forma statements are indicated above and below each statement.

The pro forma statements are based upon a total of 11,362 independent franchisee traditional restaurants open and operated by a franchisee for at least 1 year and do not include restaurants operated by McOpCo companies, Satellites or the domestic traditional franchised restaurants that changed owners in 2023 and for which we had complete financial statements. A franchisee's individual financial results may differ from the results stated in the pro forma statements for the reasons described in this item or for other reasons. Substantiation of the data used in preparing the earnings claims, including computations of all actual or average profit or earnings, will be made available to prospective franchisees upon reasonable request.

It is anticipated that the information reported in these pro forma statements reflects the operating results before occupancy costs for independent franchisee restaurants open for at least 1 year. However, the operating income before occupancy cost figures appearing below should not be construed as the financial results or "profit" before occupancy costs which might be experienced by a franchisee with a similar sales volume or an indication that any particular sales volume will be obtained. An individual franchisee is likely to experience operating

expense variations including, but not limited to, general insurance, legal and accounting fees, labor costs, and store management benefits (life and health insurance, etc.). Additionally, market conditions, operational and management methods employed by a franchisee, different geographic areas of the country, and menu price variations may significantly affect operating results. The nature of these variables makes it difficult to estimate the financial results for any particular franchisee or location.

PRODUCT SALES (see Note 2)	\$3,000,000	100.0%	\$3,200,000	100.0%	\$3,400,000	100.0%
TOTAL COST OF SALES	857,000	28.6%	912,000	28.5%	963,000	28.3%
GROSS PROFIT	2,149,000	71.6%	2,292,000	71.6%	2,437,000	71.7%
OTHER OPERATING EXPENSES (excluding rent, royalty, depreciation and amortization (D&A), interest, and income taxes)*	1,387,000	46.2%	1,457,000	45.5%	1,534,000	45.1%
OPERATING INCOME BEFORE OCCUPANCY COSTS (excluding rent, royalty, D&A, interest, and income taxes) (see Note 3)**	762,000	25.4%	835,000	26.1%	903,000	26.6%

Of the 11,362 independent franchisee traditional restaurants included in the pro forma statements above, approximately 75% had operating income before occupancy costs greater than \$762,000; approximately 68% had operating income before occupancy costs greater than \$835,000; and approximately 62% had operating income before occupancy costs greater than \$903,000.

\* **OTHER OPERATING EXPENSES** — Includes, but is not limited to, the following costs: labor, franchisee's salary as manager, payroll taxes, advertising fee (as described in Item 6), promotion, outside services, linen, operating supplies, small equipment, maintenance and repair, utilities, office supplies, legal and accounting fees, insurance, real estate and personal property taxes, business operating licenses, and non-product income or expense. This is a combination of the Total Controllable Expenses and Other Operating Expenses excluding rent, royalties, D&A, and interest included in our typical store financial statements. (The royalties payable by these franchised restaurants during the covered period were 4% of Gross Sales.)

\*\* **OPERATING INCOME BEFORE OCCUPANCY COSTS** — Represents Operating Income excluding rent, royalty, D&A, interest, and income taxes. (The royalties payable by these franchised restaurants during the covered period were 4% of Gross Sales.) The rent paid to McDonald's will vary based upon sales and McDonald's investment in land, site improvements, and building costs. Refer to Item 6 for information regarding franchise fees (including rent and royalty paid to McDonald's). D&A and interest will vary based upon the purchase price and required reinvestment of the specific restaurant acquired. Refer to Item 7 for a description of investment costs.

Additionally, organization overhead costs such as salaries and benefits of non-restaurant personnel (if any), cost of an automobile used in the business (if any), and other discretionary expenditures may significantly affect profits realized in any given operation. The nature of these variables makes it difficult to estimate the performance for any particular restaurant with sales of any given volume.

Note 1 — Data for McOpCo company restaurants is not included in the pro forma statements because of certain expenses that are typically incurred by a McOpCo-operated restaurant that are not incurred by restaurants franchised to individuals. If data for McOpCo-operated restaurants open for at least 1 year were included along with franchised restaurants, the percent of total restaurants in each category would not be statistically different and the range of Operating Income Before Occupancy Costs would be \$759,000 to \$892,000.

Note 2 — The description of this line, "Product Sales," is to clarify that only product sales are included. Non-product sales and associated costs are included in Other Operating Expenses. The Operating Income Before

Occupancy Costs numbers were determined using restaurants with product sales between \$2,900,000 to \$3,100,000; \$3,100,000 to \$3,300,000; and \$3,300,000 to \$3,500,000, respectively.

Note 3 — We are not presenting average occupancy costs in the above calculation because a wide variety of rent charts and ownership options exist. In addition, the effective rent paid by a franchisee may be more in any particular month than the stated percent rent indicated in the franchisee's lease because a portion of the rent may be fixed regardless of the sales level for a given month. The range of effective rent percentages in 2023 for franchised restaurants was 0.00% to 33.30%. Refer to Item 6 for a description of rents.

**Some McDonald's restaurants have achieved these sales, profits or earnings. Your individual results may differ. There is no assurance that you will sell or earn as much.**

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, McDonald's does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting John M. Richardson, 110 N. Carpenter Street, Chicago, Illinois, (630) 623-3000, the Federal Trade Commission, and the appropriate state regulatory agencies.

## Item 20 Outlets and Franchisee Information

Table No. 1  
**Systemwide Outlet Summary  
For years 2021 to 2023**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	13,022	12,775	-247
	2022	12,775	12,764	-11
	2023	12,764	12,772	+8
Company-Owned	2021	657	661	+4
	2022	661	691	+30
	2023	691	685	-6
Total Outlets	2021	13,679	13,436	-243
	2022	13,436	13,455	+19
	2023	13,455	13,457	+2

Table No. 2  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) (1)  
For years 2021 to 2023**

State	Year	Number of Transfers
Alabama	2021	16
	2022	7
	2023	13
Alaska	2021	7
	2022	0
	2023	0
Arizona	2021	32
	2022	20
	2023	15