

Analysis and Valuation of McDonald's— Multiple Valuation Method of P/E Ratio and EV/EBITDA Ratio

Yue Liu*

International Joint Audit Institute, Nanjing Audit University, Jiangsu, China

*Corresponding author: 203140415@stu.nau.edu.cn

Abstract. With the improvement of society and economy, fast-food chains have become an important part of the catering industry. In addition, McDonald's has a significant market share in the fast-food chain industry. This paper starts with the analysis of the company itself, including operational and investment strategy analysis and financial analysis. The author also conducts the market and competitors' analysis. According to the price-to-earnings valuation model and enterprise value multiple valuation model, this paper will evaluate McDonald's in combination with its actual situation. Based on the analysis, the author believes that McDonald's is fairly valued. McDonald's has the high quality of profit. Besides, its dividend proportion is high, and the return is stable. McDonald's can be regarded as a stable and long-term investment project for investors. At the same time, investors need to pay attention to factors such as the epidemic and geopolitics. This paper uses the latest financial data and market data to value McDonald's, and provides effective investment advice to investors based on the global development situation.

Keywords: McDonald's, Valuation, Price-to-earnings ratio, EV/EBITDA ratio

1. Introduction

1.1 Background

McDonald's is a large multinational chain restaurant founded in Chicago, USA. It has about tens of thousands of branches around the world. McDonald's focuses on serving burgers, chicken and McCafé. Since its founding in 1955, McDonald's has expanded its business in many countries all over the world. At present, McDonald's owns 39,696 restaurants in about 119 countries. By the end of 2021, 93% of its stores were franchised. Besides, in 2022, there are 1,800 newly opened restaurants globally. China is McDonald's second-largest market with 11%. McDonald's stock price and market capitalization are generally on the rise. According to the latest data, McDonald's current share price is \$245.95 and its current market capitalization is \$180.94 (in billions).

Typically, market capitalization is a measure of the value of a company's shares [1]. McDonald's share price and market capitalization have remained high despite the global COVID-19 pandemic, and whether its value is properly valued will affect investors' investment decisions.

1.2 Literature Review

There are many studies focus on corporate valuation. A paper on the valuation of McDonald's analyzes the current situation through the company's basic situation, industry competitors, financial statements and stock price information, and then it selects the free cash flow model for valuation. Finally, the stock price calculated by the model is compared with the current stock price, which shows that the stock price is affected by some short-term economic factors [2].

At present, the two main methods of company valuation are relative valuation and absolute valuation. In the relative valuation method, the most widely used price-earnings ratio method has both advantages and disadvantages. The price-earnings ratio method has numerous data acquisition channels and is easy to calculate, which can effectively reflect the risk and growth of the company. However, as earnings per share will be affected by many factors and fluctuate, it is difficult to determine a reasonable multiple for calculation [3]. With the development of capital market, scientific valuation method should be adopted to make enterprise valuation return to value investment. Since P/E ratio cannot reflect the individual characteristics of an invested company, using P/E ratio to

evaluate will ignore the differences between the invested company and its comparable companies. Therefore, the valuation process should refer to some financial analysis indicators, while considering the risk appetite of capital. It also mentions that the free cash flow valuation model can affect the accuracy of its results by ignoring the reality that the expected capital structure of the invested company is unstable [4]. In addition, the scientific application of price-earnings ratio model also needs a perfect security market. Only a mature securities market can have more and more accurate financial data of listed companies, and the maturity of the securities market will affect the range of price fluctuations. Besides, listed companies will adjust the profit level according to their own needs, which will make the company's stock price deviate from the real value, leading to the deviation of the referenced P/E ratio [5]. As mentioned in a financial research paper, the existing price-to-earnings valuation model does not conform to the theory of Williams formula, and cannot reflect the actual changes in the future earnings of listed companies. Moreover, the existing dynamic P/E valuation model is essentially based on static data. In the analysis of investment, it is necessary to judge the trend of future changes from the perspective of dynamic development [6].

In investment analysis, P/E ratio can also be used to analyze the growth of a company's market value [1]. A paper also points out that the combination of management accounting information and corporate valuation may play a guiding role in enterprise valuation [7].

1.3 Objection

At present, academic research on McDonald's valuation is a few years ago, even more than ten years ago. The situation of an enterprise will fluctuate with its own business situation, industry development, global situation and so on, and this kind of fluctuation will happen all the time. Thus, this paper conducts the analysis and valuation using the recently updated data. A large portion of the valuation researches use the price-to-earnings ratio model, while this method also has some drawbacks. Thus, the author also takes the multiple valuation method of enterprise value to make the valuation more objective and effective.

The purpose of this paper is to provide investors with effective investment advice based on analysis and valuation, and to draw inspiration on enterprise development and investment in the light of today's global development.

First of all, this paper analyses the McDonald's from the strategic and financial aspects. Then, in the part of stock price and market capitalization analysis, this paper selects four competitors for McDonald's to make a comparison. Based on the above analysis, this paper finally selects two companies as the more suitable comparable companies for McDonald's, and uses two valuation methods to carry out the valuation. Finally, the author provides investment suggestions and inspirations.

The paper will help investors make more efficient investment decisions, and also help to provide guidance for the development of the catering industry in the wake of the global pandemic crisis.

2. Corporate Analysis

2.1 Strategic Analysis

2.1.1 Operational Strategy Analysis

In 1955, the first McDonald's restaurant was opened, and the brand continued to develop steadily. McDonald's went on a brand buying spree between 1998 and 2001 that eventually dragged down its own performance.

Between 2003 and 2009, McDonald's began to sell off all its non-core brands and focus on its main business with the strategy called "Plan to Win", which centered on the five P theory. Five P represents people (people-oriented service), place (a clean and tidy dining environment), product (delicious foods), price and promotion. After focusing on its main business, McDonald's turned a profit and achieved the second period of sustained and stable performance growth.

In terms of business strategy, McDonald's adopts the combination of self-management and franchise to expand sales revenue, product revenue and brand service revenue. As of June 30, 2022, McDonald's had 39,600 restaurants in 118 countries, 95% of which were franchised. At the same time, McDonald's has 4,727 restaurants in the Chinese market, up 644 from 4,083 in 2021.

In terms of service innovation, McDonald's keeps close to the market. Based on consumer demand and market insight, McDonald's constantly innovates service forms to expand sales and seize long-term customers in the future. Take its operation in China as an example, as early as 2018, McDonald's and M&G Stationery jointly launched the "Accompany war study Room" for college entrance examination. The "Accompany war" element was embedded in a certain area of the store, so that the concept could be visualized. In 2022, McDonald's had an insight into the increasing demand of some consumers for self-study places. Since the third quarter, McDonald's has successively opened free "Mai Mai self-study rooms", and launched reward activities such as free refills of set drinks to expand the space business of chain brands.

In terms of fulfilling social responsibility, EDF Renewables North America and McDonald's signed a 15-year virtual power purchase agreement (VPPA) for 332MWdc in 2022. The power will come from the Apollo Solar Project in Texas, and the VPPA with EDF Renewables will bring McDonald's closer to its 2030 carbon reduction target.

At the same time, with the rise of technological innovation, artificial intelligence and online sales, McDonald's continues to improve operational and process efficiency, implement personnel and process optimization, and improve per capita profitability. The number of employees decreased from about 400,000 in 2018 to about 200,000 in 2021, while revenue per capita increased from about \$55,000 to about \$120,000 over the same period, and profit per capita increased from about \$11,000 to about \$38,000 over the same period.

2.1.2 Investment Strategy Analysis

Since 2003, McDonald's adhere to focus on the main business, multi-level profit, expand the scale of products, enhance brand value. Improve the company value from multiple aspects, such as self-owned product income, authorized brand fee, authorized store raw material supply chain, software information system. At the same time, the real estate premium of self-owned stores and the capital premium of share repurchase are also hidden investment profit lines. McDonald's strives for excellence in its stores, products and services, adheres to green and low-carbon in fulfilling its social responsibility, and implements share buybacks and dividends in shareholder returns, thus steadily increasing its stock price.

2.2 Financial Analysis

2.2.1 Profitability Analysis

Revenue history for McDonald from 2001 to 2022

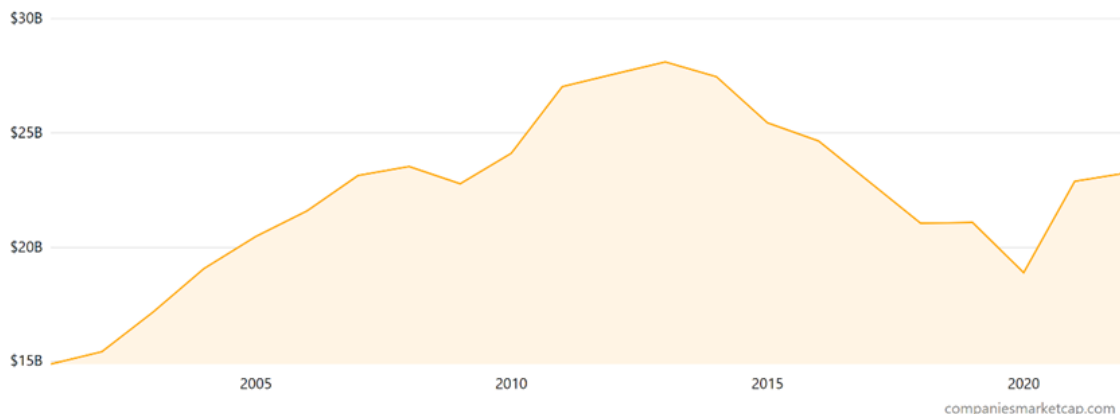


Fig 1. Revenue history for McDonald's from 2001 to 2022 (Photo from: McDonald (MCD) - Revenue (companiesmarketcap.com))

As is shown in Fig.1, in addition to the impact of the global COVID-19 pandemic in 2020, McDonald's has sustained and stable net profit growth in 2017-2021 in the past five years. Sales revenue overall grew steadily over the same period, and based on the data from the second quarter of 2022, revenue and profit have returned to pre-pandemic levels.

Table 1. Income Statement of McDonald's

USD in ten thousand	2022(01/01-06/30)	2021	2020	2019	2018	2017
Sales Revenue	1138400	2322290	1920780	2107650	2102520	2282040
Selling Cost	490160	1038230	918870	996120	1023920	1219960
Gross Margin	648240	1284060	1001910	1111530	1078600	1062080
Marketing, Selling and Administrative Expenses	138120	270750	254560	222940	220020	223130
Net Interest Expense	57790	118580	121810	112190	98120	92130
Other Sg&a Expenses	107680	-22290	14950	-18390	-23680	-116320
Total Sg&a Expenses	303590	367040	391320	316740	294460	198940
Net Income	229240	754520	473050	602540	592430	519230

Table 2. McDonald's Income (by regions)

USD in ten thousand	2022 (Q1)	2021	2020	2019
Operation Revenue				
U.S.	217,560.00	886,500.00	782,850.00	784,270.00
International Operated Markets	292,210.00	1,221,980.00	957,070.00	1,139,860.00
International Developmental Licensed Markets & Corporate	56,790.00	213,810.00	180,860.00	183,520.00
Total	566,560.00	2,322,290.00	1,920,780.00	2,107,650.00
Operating Profit				
U.S.	115,100.00	475,470.00	378,910.00	406,870.00
International Operated Markets	112,920.00	513,060.00	331,510.00	478,900.00
International Developmental Licensed Markets & Corporate	3,240.00	47,070.00	21,980.00	21,210.00
Total	231,260.00	1,035,600.00	732,400.00	906,980.00
Operating Profit Margin				
U.S. (%)	52.90	53.63	48.40	51.88
International Operated Markets (%)	38.64	41.99	34.64	42.01
International Developmental Licensed Markets & Corporate (%)	5.71	22.01	12.15	11.56
Total (%)	40.82	44.59	38.13	43.03
Composition of Income				
U.S. (%)	38.40	38.17	40.76	37.21
International Operated Markets (%)	51.58	52.62	49.83	54.08
International Developmental Licensed Markets & Corporate (%)	10.02	9.21	9.42	8.71
Total (%)	100.00	100.00	100.00	100.00
Composition of Operating Profit				
U.S. (%)	49.77	45.91	51.74	44.86
International Operated Markets (%)	48.83	49.54	45.26	52.80
International Developmental Licensed Markets & Corporate (%)	1.40	4.55	3.00	2.34
Total (%)	100.00	100.00	100.00	100.00

As is shown in Table 2, from the perspective of the regional structure of revenue: in the past three years, the proportion of revenue in the United States is stable at about 38%, the proportion of revenue in the international business market is about 52%, and the proportion of revenue in the development of licensing business is about 9%. In terms of the percentage of profit contribution, the profit contribution of the domestic business is slightly higher than that of the revenue.

As is shown in Table 1, from the perspective of business revenue, McDonald's company-operated restaurants accounted for a continuous decline in the past five years, from 55.73% in 2017 to 38.78%, while the proportion of licensed franchise revenue continued to rise, from 44.27% in 2017 to 59.64%. This reflects McDonald's brand export and franchise licensing business ability to continue to improve.

2.2.2 Cash Flow Analysis

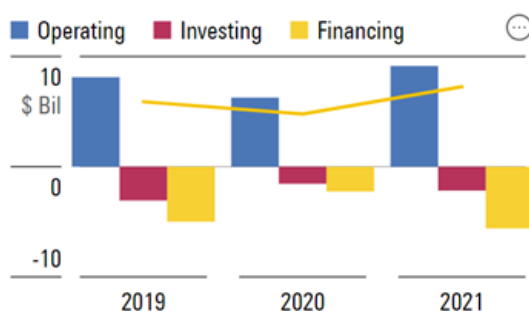


Fig 2. Cash flow changes for McDonald's in past three years (Photo from: MCD - McDonald's Corp Financials & Balance Sheets - NYSE | Morningstar)

	2019	2020	2021	TTM	3-Yr Trend
Operating (Bil)	8.12	6.27	9.14	8.04	
Investing (Bil)	-3.07	-1.55	-2.17	-2.38	
Financing (Bil)	-4.99	-2.25	-5.60	-6.54	
Capital Expenditure (Bil)	-2.39	-1.64	-2.04	-	
Free Cash Flow (Bil)	5.73	4.62	7.10	-	

Fig 3. McDonald's cash flow in recent three years (Photo credit: Original)

As is shown in Fig.2 and Fig.3, in the last 10 years, McDonald's has maintained a relatively good ability to create operating cash inflow, and the net operating cash flow has consistently exceeded the net profit in the same period, which reflects the high quality of profit and the realization of profitable income and quality profit. The average annual net cash inflow from operations from 2012 to 2021 was \$6.946 billion. During 2012-2022Q2, the total amount of cash paid by share repurchase was \$44.023 billion and the total amount of dividend paid was \$35.156 billion. The amount of dividend per share increased continuously from \$0.375 / share in 2008 to \$1.38 / share in 2022. Through a combination of share buybacks and dividends, shareholders are rewarded handsomely by returning their own cash flow to investors.

2.2.3 Solvency Analysis

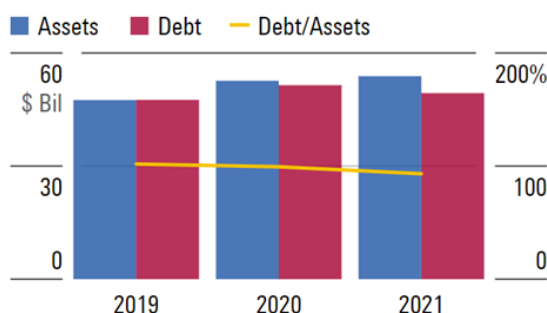


Fig 4. Assets and debt changes for McDonald's in recent three years (Photo from: MCD - McDonald's Corp Financials & Balance Sheets - NYSE | Morningstar)

	2019	2020	2021	Q2 2022	3-Yr Trend
Total Assets (Bil)	47.51	52.63	53.85	49.25	
Total Liabilities (Bil)	55.72	60.45	58.46	55.62	
Total Debt (Bil)	47.56	51.46	49.35	47.59	
Total Equity (Bil)	-8.21	-7.82	-4.60	-6.37	
Cash & Cash Equivalents (Bil)	0.90	3.45	4.71	1.87	
Working Capital (Bil)	-0.06	0.06	3.13	1.44	

Fig 5. McDonald's balance sheet in recent three years (Photo credit: Original)

Due to the continuous share repurchase for many years, the amount of Treasury shares in shareholders' equity reached \$70.304 billion in the 2022Q2 reporting period. As is shown in Fig.4 and Fig.5, treasury shares were used as the deduction of equity in accounting, resulting in the total negative value of shareholders' equity since the end of 2016. From the appearance of the balance sheet, the enterprise has appeared insolvent situation, long-term solvency indicator asset-liability ratio has been more than 100%. However, from the perspective of debt structure, the company mainly has a high proportion of long-term debt. In the 2022 Q2 reporting period, the balance of long-term debt is \$34.576 billion. If the company does not implement share buybacks and high proportion of dividends, according to the average net inflow of operating cash of \$6.946 billion in the past five years, the company will only need five years to pay off all the long-term debt.

Therefore, from the perspective of operating cash flow, current ratio, sustainable profitability, monetary capital reserves, etc., the enterprise has a strong solvency. The enterprise has been able to rely on its brand and business examples to operate and develop completely with the help of debt funds, which also reflects the high trust of creditors and indirect financing market on the enterprise.

3. Markets and Valuation

3.1 Industry and Competitor Analysis

McDonald's is one of the largest fast-food chains in the world. However, with the development of the fast-food industry, McDonald's faces increasingly fierce competition. The existence of competitors will bring the driving force of market learning and demand expansion to McDonald's, which can bring positive influence to the development of the company to some extent [8].

This paper selects four companies as existing competitors of McDonald's.

The first is Yum Brands (YUM), which owns KFC, Pizza Hut and other restaurant chains. Its main products include burgers, taco and pizza. Yum operates on a similar model to McDonald's, with 98% of its stores franchised. The second is Restaurant Brands International (RBI), it has four quick service restaurant brands – Tim Hortons, Popeyes, Firehouse Subs and Burger King. The stores of RBI are approximately 100% franchised. The author chooses Starbucks as the third competitor. Starbucks is a coffee company founded in 1971, but it has a lot of food besides coffee -- muffins, croissants, etc. Starbucks' store operation is almost half company-operated store and half licensed store. The fourth company chosen was Chipotle, which is a Mexican fast-food brand. Its main products are burrito, taco and salad. What sets Chipotle apart from the other four companies is that it has no franchised stores.

As a populous country in the world, China's rapid economic development makes people's demand for material life increase day by day. Therefore, the development of China's catering industry has hidden huge potential [9]. In addition to international competitors, McDonald's is also facing pressure from local brands in the Chinese market. Because local brands in China's fast-food market may be more suitable for Chinese tastes and eating habits. For instance, McDonald's has taken a strategy of localization in Chinese market, with products such as its Old Beijing chicken rolls [10]. However, it did not sell as well as expected. At present, McDonald's stores in China are mainly concentrated in first-tier and second-tier cities. In fact, rural restaurants also have great development potential [2].

3.2 Share Price Analysis



Fig 6. McDonald’s historical stock price change (Photo from: McDonald's - 52 Year Stock Price History | MCD | MacroTrends)

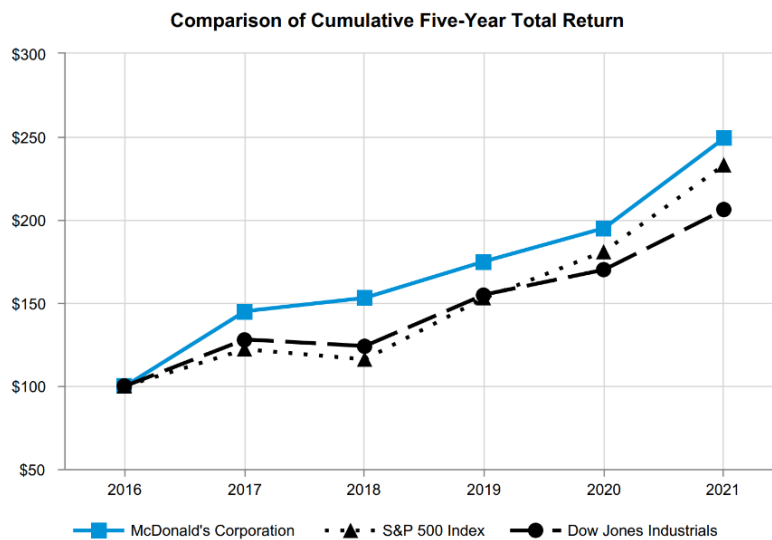


Fig 7. McDonald's and market return on investment comparison (Photo from: MCD 2021 Annual Report.pdf (mcdonalds.com))

As is shown in Fig.6 and Fig.7, the general trend of McDonald's stock price in the past decade is upward. Around 2020, there was a big drop in stock prices. The most important reason is that affected by the COVID-19, the operation of many McDonald's stores due to government control and regional restrictions, resulting in reduced customer flow.

This paper also compared the ratios of these five companies. Among the five companies, McDonald's has the highest total market capitalization, enterprise value (excluding monetary funds), enterprise value (including monetary funds), market to sales ratio (static), and enterprise multiple. McDonald's is also in the better position in terms of the latest stock closing price and P/E ratio (CMG is the most expensive because of its smaller total equity). In terms of price-to-book ratio, the net assets of McDonald's are negative due to its long-term share buyback, and this index has no evaluation significance for McDonald's. According to the results of the index analysis, McDonald's is well recognized by investors, with high stock price and total market value, strong sales and operation ability, and good cash reserves.

3.3 Market Capitalization Analysis

As is shown in Fig.8, MCD’s market cap is much higher than that of its competitors.

The market value of an enterprise mainly depends on its ability to continuously create profits and cash flow (including stability, growth rate and growth space). The discounted present value of cash flow realized in the future period is its theoretical current market value. However, the future operation of enterprises will always face various market uncertainties, and the risk-free rate of return (the theoretical discount rate) will be revised along with the development of the macro economy, so the market value will fluctuate, and there will be differences and disagreements in the judgment of investors. The high market value of McDonald's is mainly due to its high net profit, good operating net cash flow, high proportion of dividends and stable return. At the same time, after the high share buyback, the number of ordinary outstanding shares is small, which is a scarce investment target in the market.

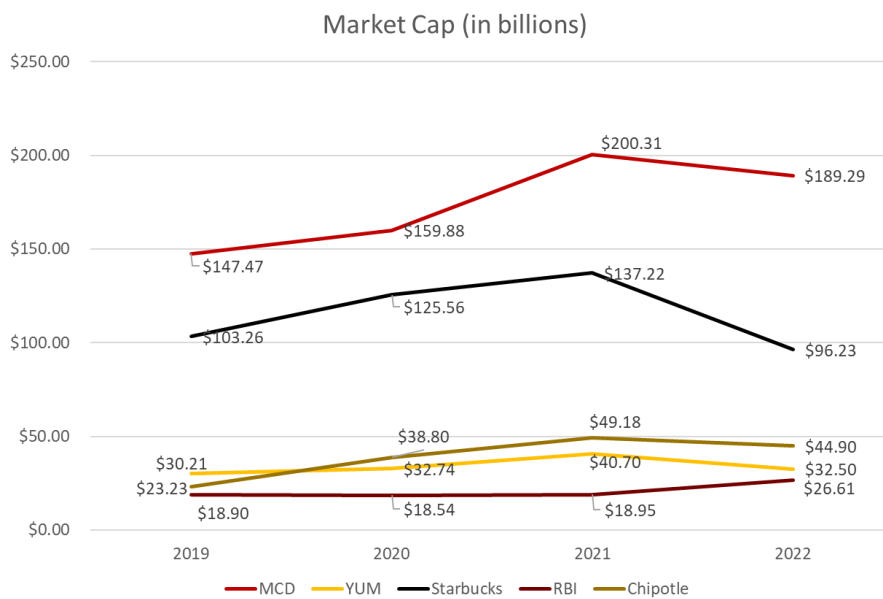


Fig 8. 2019-2022 Market Capitalization of MCD, YUM, Starbucks, RBI and Chipotle (Photo credit: Original)

3.4 Valuation

3.4.1 The Choice of Comparable Companies

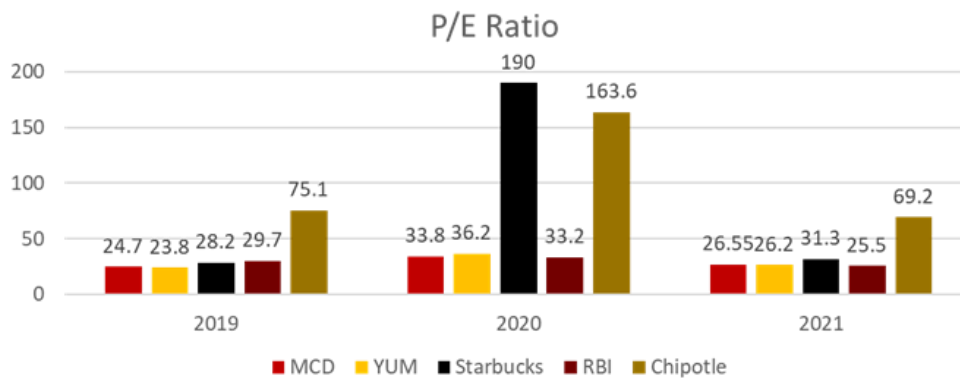


Fig 9. 2019-2021 Price-to-earnings Ratio of MCD, YUM, Starbucks, RBI and Chipotle (Photo credit: Original)

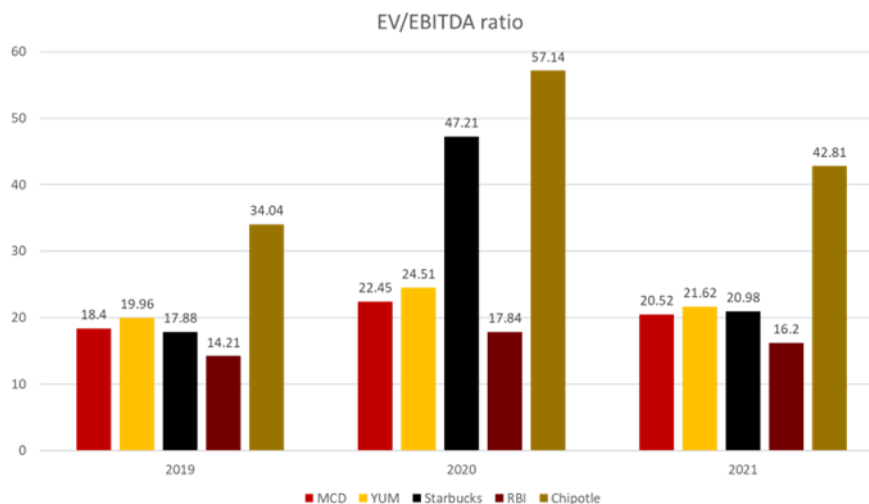


Fig 10. 2019-2021 EV/EBITDA Ratio of MCD, YUM, Starbucks, RBI and Chipotle (Photo credit: Original)

Based on the above analysis, this paper will choose Yum Brands and Restaurant Brands International as the comparable companies of McDonald's to conduct the valuation.

There are few reasons that the author excludes Starbucks and Chipotle. The first reason is that the store operation model of Starbucks and Chipotle are different from other companies. Because the model of the stores will affect the company's revenue, so that the financial statements' information and some ratios are not comparable. The price-earnings ratio of Starbucks and Chipotle have large difference with other three companies. Besides, EV/EBITDA ratio of Chipotle is much higher than that of other companies. In addition, the ratios of Starbucks and Chipotle are more volatile.

3.4.2 Valuation Models

In this paper, the author chose two models to conduct the valuation of McDonald's – price-to-earnings valuation method and multiple valuation method of enterprise value.

The price-earnings ratio is the ratio of a stock's price to its earnings per share. On the basis of predicting the future earnings of the enterprise, the price-earnings ratio model evaluates the value of the enterprise by comparing with the reasonable price-earnings ratio [5]. It is often used to measure the investment value of a stock. And it can also be applied to some stocks that do not pay dividends [6]. The static P/E ratio is often used as a comparison indicator when comparing whether stocks at different prices are reasonably valued. In this paper, the author will use the equation – a fair share price equals the fair price-earnings ratio multiplies earnings per share to conduct McDonald's valuation.

The second method requires two pieces of data. One is EV, which refers to enterprise value. Enterprise value equals market capitalization plus net indebtedness. The other is EBITDA, which refers to earnings before interest, tax, depreciation and amortization. The author will compare the EV/EBITDA ratio of McDonald's with the EV/EBITDA ratio of the same industry to judge whether the value of McDonald's has been reasonably estimated.

The difference between the two valuation indicators is that they are considered from different perspectives. Price-earnings ratio is from the point of view of shareholders, and the EV/EBITDA ratio is from the point of view of investors. Earnings per share in the P/E ratio may be manipulated by the management due to earnings management, and its value is susceptible to the impact of the economic cycle, so it is difficult to get a reasonable multiple [3]. The application of P/E ratio model requires that the net profit of corporates cannot be negative and it should have stable profitability [11]. The valuation using EV/EBITDA ratio has some advantages compared to the P/E ratio indicator. When a company's forecast net profit is negative, the P/E ratio fails. Thus, the EV/EBITDA ratio has a wider application range. Besides, the EV/EBITDA ratio is more relevant to the future risk of the enterprise, so it has a stronger rationality.

3.4.3 P/E Ratio

Table 3. The Valuation Related Data in 2021 of MCD, YUM and RBI

Variable	MCD	YUM	RBI
Price/Earnings	26.55	26.2	25.5
Enterprise Value/EBITDA	20.52	21.62	16.2
Earnings per share (2021)	10.04	5.21	2.69
EBITDA (in billions)	12.18	2.38	2.05

Table 3 shows the relevant data for conducting valuation. It can be calculated that the industry average P/E ratio is 25.85. Thus, by using the equation, the author concludes that the fair share price of McDonald's is \$266.56. The share price of this industry equals \$259.53.

As can be seen from the data here, the results calculated by P/E ratio of MCD is slightly higher than the industry average, the author still believes that MCD is fairly valued, given the reason that the difference between MCD and industry median average is actually really slight.

3.4.4 EV/EBITDA Ratio

Using relevant data in the table, it can be calculated that the industry average EV/EBITDA ratio is 18.91. Thus, by using the equation, the author concludes that the enterprise value of McDonald's is \$249.93 (in billions). The EV of this industry equals \$230.32 (in billions).

The author believes that MCD is fairly valued. The difference between the results of McDonald's and industry average may be because of the difference in size of RBI.

3.4.5 Conclusion

Based on the above analysis and calculation, the author believes that the value of McDonald's is reasonably estimated.

4. Suggestions

McDonald's is still a giant in the fast-food industry, and in general, it is growing steadily. It can be concluded from the valuation results that its value is reasonably estimated by the market.

Investors can view McDonald's as a long-term, stable investment, because it is less risky. Among the capital invested in McDonald's store construction, interest-bearing debt mainly comes from long-term borrowing, so the source of funds is stable. After McDonald's changed its business strategy to focus on the main business, pay attention to stores and improve services, its scale increased and its market competitiveness gradually strengthened. In terms of financial security, good net cash flow performance makes McDonald's have a strong financial viability.

At the same time, investors must keep paying attention on how geopolitics affects their overseas business. As a listed company with global business, McDonald's production, operation and other parts will be affected by the interaction between countries in the world. In addition, the COVID-19 pandemic in 2020 also reminded investors not to ignore the impact of such factors on McDonald's restaurant business. Since the COVID-19 outbreak, changes in consumer behavior have brought about changes in the market environment. As the catering industry is the primary consumer industry of the general public, McDonald's should formulate a complete risk management response plan in daily operation [12]. The catering industry, represented by McDonald's, should think about how to develop in the Internet environment for a long time [13]. Only by breaking the traditional business model can corporates better avoid market risks.

5. Conclusion

Based on the above analysis, this paper concludes that McDonald's is fairly valued. Corporates in catering industry like McDonald's can be a long-term, stable investment for investors.

For the long-term investment, corporates should make the investment payback period and capital amortization period reasonable match, so as to stabilize the source of funds. The existence of a company should not only create a good return on investment for shareholders, but also continue to provide satisfactory services to consumers, fulfill social responsibilities and maintain business sustainability. If a corporate wants to make a large scale, it must focus on business strategy and find the most suitable scheme for itself, so as to improve market competitiveness. In addition, corporates also need to have a global vision, while stabilizing the local market, reasonable distribution of overseas markets. In terms of financial security, corporates should maintain good cash flow performance. While attaching great importance to shareholder returns, McDonald's has continuously improved store services, paid attention to brand building, energy conservation and environmental protection, taken into account the interests of shareholders, customers, employees and society, maintained reasonable cash reserves, and successfully overcame multiple periodic economic crises.

The COVID-19 pandemic in 2020 has had a huge impact on the global economy, which is also a critical time for the catering industry. In the future development, corporates should take COVID-19 as a warning and consider the influence of various factors.

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