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## Hit from dollar on McDonald's 2012 menu

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By [Lisa Baertlein](#)

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(Reuters) - McDonald's Corp's (MCD.N) strong December sales and fourth-quarter earnings failed to allay fears that exchange rates and increased spending will weaken profits in 2012.

Those worries sent shares of the world's biggest hamburger chain down 2.3 percent to \$98.61 in midday trading.

McDonald's stock lately has been on a tear. It is up about 30 percent from a year ago and recently hit an all-time high of more than \$102.

With shares looking expensive, Wall Street focused on imperfections in the company's outlook rather than its robust year-end results.

"Whilst results are strong, I would expect a period of consolidation going forward," Rikky Shoker, co-manager of the Credo Best Ideas Portfolio at Credo Group Ltd in London, said in an email.

"I would be cautious this year given (that the U.S. dollar) has strengthened so much and is expected to continue doing so. They generate nearly 70 percent of sales overseas," Shoker said.

Foreign exchange boosted McDonald's earnings by 19 cents per share in 2011 and will work against the company by roughly the same amount in 2012, analysts said.

That impact will be keenly felt in Europe, which is McDonald's top market for sales, they said, as the euro weakens against the U.S. dollar due to debt worries in the region.

Lazard Capital Markets analyst Matthew DiFrisco added other items to the list of concerns.

Those included higher taxes and interest expense as well as increased spending on things like restaurant renovations, building new units, compensation and technology upgrades.

"You've got this little creep of things working against them," DiFrisco said.

McDonald's is a top sponsor of the 2012 Olympics in London and has told investors that dilution from its China expansion, which was more of a factor than analysts expected in the latest quarter, would ease in 2012.

### STRONG END TO YEAR

McDonald's reported a fourth-quarter profit of \$1.38 billion, or \$1.33 per share, up almost 11 percent from a year earlier and compared to analysts' call for a profit of \$1.30 a share, according to Thomson Reuters I/B/E/S.

Edward Jones analyst Jack Russo said results from the latest quarter were helped by 3 cents per share of non-operating income.

"So it really appears they met consensus," he said.

Revenue rose 10 percent to \$6.82 billion.

Sales at stores open at least a year rose 9.6 percent in December, with a 9.8 percent increase in the United States and a 10.8 percent rise in Europe.

Analysts on average forecast a 5.9 percent increase overall, with the a 5.4 percent increase in the United States and a 6.4 percent increase in Europe, according to Thomson Reuters data.

The results, which were helped by new menu items, restaurant makeovers, longer operating hours and effective marketing, defied a global economic slowdown and helped McDonald's continue to outpace rivals like Wendy's (WEN.O) and Burger King.

Menu standouts during the quarter included bagel sandwiches in France and Big Mac's and chicken products in the United States, the company said.

Chief Financial Officer Pete Bensen said diners remained cautious about spending but were not showing any signs of pulling back.

"We're really seeing no change in customer behavior," he said.

(Reporting by Lisa Baertlein in Los Angeles, editing by Dave Zimmerman)