Analyst Downgrades McDonald’s, Citing Competition

NEW YORK (AP) — McDonald's Corp. was downgraded Monday by a Lazard Capital Markets analyst, who said that tough competition may hinder sales growth.

Analyst Matthew DiFrisco, cutting McDonald's to "Neutral" from "Buy," said he expects that a key sales figure will shrink 1.8 percent in the last three months of 2012, with a slow start in 2013. The decline at revenue at restaurants open at least a year — a key measure of a restaurant company's health — indicates McDonald's is losing share in the U.S. while fast-food trends are weakening in several important overseas markets, he said.

After years of outperforming its rivals, McDonald's has struggled recently as long-time rivals Burger King and Wendy's have revamped their menus and rolled out new advertising campaigns, while new menu items bolster Taco Bell's sales growth. Customers are also increasingly flocking to fast-casual chains such as Chipotle Mexican Grill and Panera, which offer better quality food for slightly higher prices.

To rev up sales again, McDonald's CEO Don Thompson has said the company will focus on value, highlighting its Dollar Menu.

The "abrupt firing" of the head of McDonald's U.S. business earlier this month is a signal of bigger changes to come in the U.S., such as more promotions, DiFrisco said. The Oak Brook, Ill., company announced the departure of Jan Fields on Nov. 15, less than a week after it reported its first monthly sales drop in nearly a decade.

DiFrisco cut his per-shares profit forecast for 2013 to $5.74 from $5.95. Analysts polled by FactSet expect per-share earnings of $5.83 next year, up from their prediction of $5.33 this year.