

# Value Menu Boosts McDonald's 4Q

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NEW YORK (AP) — McDonald's Corp. eked out a higher profit in the fourth quarter with the help of its Dollar Menu and the McRib, but the world's biggest hamburger chain also warned that a key sales figure is expected to drop this month.

The negative forecast reflects the intensifying competition and changing dining habits McDonald's is facing. Traditional rivals such as Burger King, Taco Bell and Wendy's have been revamping their menus and posing a bigger threat to the Golden Arches than they have in recent years.

In addition, people are increasingly heading to chains such as Chipotle and Panera that offer restaurant quality food for slightly higher prices.

To bolster slumping sales, McDonald's made a series of moves in recent months such as returning its focus on its Dollar Menu, shifting the introduction of its McRib from October to December and pushing franchisees to stay open on Christmas. In November, the company ousted the president of its U.S. business after a key sales figure dropped for the first time in nearly a decade. CEO Don Thompson said Wednesday that the figure is expected to drop again in January, reflecting the near-term pressures the company is facing.

For the October to December period, McDonald's said sales at restaurants open at least a year rose 0.1 percent globally. In the U.S., the figure rose 0.3 percent. But in Europe, McDonald's biggest market, the figure fell 0.6 percent as guest counts declined. It fell 1.7 percent in the region encompassing Asia, the Middle East and Africa.

The figure is an important measure of a restaurant chain's performance because it strips out the impact of newly opened and closed locations.

Howard Penney, a restaurant analyst for Hedgeye Risk Management, noted that operating profit margins were down globally for the quarter. When sales are up but margins are down, that means "you're giving away food," he said.

McDoanld's, based in Oak Brook, Ill., said it earned \$1.4 billion, or \$1.38 per share, for the quarter. That compares with \$1.38 billion, or \$1.33 per share, a year ago.

Revenue rose to \$6.95 billion, up from \$6.82 billion.

The results topped expectations for profit of \$1.33 per share on revenue of \$6.9 billion.

Thompson, who took over as CEO this summer, said the company continues to target total sales growth of 3 percent to 5 percent over the long term.

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