FIGHT FOR $15

ISSUE BRIEF

MCDONALD'S CHOICE TO PRIORITIZE SHAREHOLDERS OVER WORKERS

JUNE 11TH 2020

On May 21, 2020, McDonald's declared to shareholders it would be paying a $1.25 dividend per share for the second quarter of 2020.[1] This announcement comes despite criticism of the company for not suspending its dividend payments and investing that money to support workers during the COVID-19 pandemic.[2] At McDonald's Q1 investor earnings call on April 30, 2020, CFO Kevin Ozan stated that the company's "capital allocation priorities remain investing in the business for growth and prioritizing dividends to our shareholders."[3]

The Q2 dividend will be payable to shareholders on June 15, 2020 and, based on the Company's current shares outstanding, will amount to a projected $929.4 million for the quarter.[4] Combined with the Q1 dividend, this would bring total dividends paid for the first six months of 2020 to approximately $1.86 billion.[5] McDonald's will confirm the totals paid to shareholders in its second quarterly report in August.

McDonald's Commitment to Dividends During the Pandemic

The pandemic has severely impacted McDonald's operations globally. McDonald's revenue was down six percent in the first quarter[6] and the company anticipated negative free cash flow for at least the second quarter.[7] Approximately a quarter of McDonald's stores globally were shuttered due to the spread of the virus,[8] and the company acknowledged that early evidence suggests that its recovery is likely to be gradual.[9] In order to maintain liquidity, the company found it necessary to raise $6.5 billion in new debt in March 2020.[10]

Despite these financial pressures and uncertainty, McDonald's executives have told shareholders that it plans to proceed with its pre-pandemic plans for dividend payments. In March 2020, CEO Chris Kempczinski told CNBC that McDonald's would not make any changes to its quarterly dividend, calling it a "paramount priority."[11] In its shareholder meeting on May 21, 2020, when pushed by participants about the dividend, Mr. Kempczinski responded that the company's capital allocation intentions remain supporting franchisees and "prioritizing dividends to our shareholders."[12]

Pressure to Suspend Dividends Growing

Faced with the same financial pressures caused by the pandemic, major corporations have cut or indefinitely suspended their dividends. For example, iconic brands such as General Motors, Ford, Macy's and Estee Lauder[13] have suspended dividends. And within the restaurant industry, Dunkin' Brands Group and Dine Brands Global (operator of IHOP and Applebee's) have also notably suspended dividend payments.[14] Other companies that have cut the dividend include Alliance Data, a large provider of marketing services, and Schlumberger, an international oil company.[15]

In total, more companies have either suspended or cancelled dividends so far in 2020 than in the previous 10 years combined.[16]

FIGHT FOR $15

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McDonald's Reputation for Regular Shareholder Dividends

2020 is the 44th consecutive year in which McDonald's has paid shareholder dividends on its common stock. Since paying its first dividend in 1976, McDonald's has paid a dividend every quarter, except between 2001 to 2007 when the company paid annual dividends.[17]

Up to and including the Q1 dividend paid in 2020, McDonald's has paid shareholders a total of **$26.7 billion in dividends since 2012 alone.**

Redirected Dividend Payments Could Fully Fund Paid Sick Leave

There are approximately 850,000 workers across the US that wear the McDonald's uniform. Yet, McDonald's has only committed to providing paid leave to crew that work in company-operated stores—a mere 5 percent of that total.

Rather than make the choice to pay the full dividend to shareholders, McDonald's could redirect some of these funds to provide paid sick leave and quarantine pay to its workers. If one-in-ten McDonald's crew members became ill with Covid-19 or needed to quarantine for their safety and to protect McDonald's customers, McDonald's could provide two weeks of paid sick or quarantine leave at a wage of $15 an hour for a mere $61.2 million:

MCDONALD'S DIVIDEND PAYMENTS
2012 – Q2 2020

Year		Q1	Q2	Q3	Q4	Annual total to shareholders ($ millions)
2020	Amount per share ($)	1.25	1.25	TBA	TBA	TBA
	Total to shareholders ($ millions)	930.7	929.4 *	TBA	TBA	
2019	Amount per share ($)	1.16	1.16	1.16	1.25	3,639
	Total to shareholders ($ millions)	886.8	883	934	935.2	
2018	Amount per share ($)	1.01	1.01	1.01	1.16	3,364
	Total to shareholders ($ millions)	797.5	786.1	888	892.5	
2017	Amount per share ($)	0.94	0.94	0.94	1.01	3,131
	Total to shareholders ($ millions)	770.6	761	797.4	801.8	
2016	Amount per share ($)	0.89	0.89	0.89	0.94	3,086
	Total to shareholders ($ millions)	780.8	759.3	772.9	773.1	
2015	Amount per share ($)	0.85	0.85	0.85	0.89	3,230
	Total to shareholders ($ millions)	816.3	811	789.1	813.9	
2014	Amount per share ($)	0.81	0.81	0.81	0.85	3,239
	Total to shareholders ($ millions)	801.7	800.6	815.5	820.8	
2013	Amount per share ($)	0.77	0.77	0.77	0.81	3,150
	Total to shareholders ($ millions)	772.2	771.1	803	803.8	
2012	Amount per share ($)	0.7	0.7	0.7	0.77	2,896
	Total to shareholders ($ millions)	712.3	709.3	703	771.2	
TOTAL (2012 - PRESENT):						**26,666**

Source: *McDonald's financial statements*

**Projection, not included in current 2012-present total.*

850,000 McD crew x 10% sick/quarantined x 2 weeks x 24 hours/per week[18] x $15/hour = $61.2 million

This $61.2 million is just **6.6%** of the expected quarterly dividend to be paid on June 15.[19]

McDonald's commitment to paying billions in dividends while failing to provide sick leave for all the workers that serve its iconic burgers and fries speaks loud and clear about the company's values. On June 3, 2020, in response to the killing of George Floyd, McDonald's expressed its opposition to systemic oppression and its intolerance of inequity or injustice in a tweet.[20] Rather than an empty PR social media posting, the company could demonstrate its purported stance by, for once, halting its dividend and redirecting that money towards helping its frontline workers weather a pandemic disproportionately impacting people of color.

FIGHT FOR $15

ISSUE BRIEF

NOTES

1 https://www.prnewswire.com/news-releases/mcdonalds-announces-quarterly-cash-dividend-301063858.html

2 https://www.newsmax.com/newsfront/mcdonalds-franchisees-financialrelief/2020/04/14/id/962894/

3 https://news.alphastreet.com/mcdonalds-corp-nyse-mcd-q1-2020-earnings-call-transcript/

4 Projected total to be paid to shareholders in Q2 (payable on June 15, 2020): Shares outstanding (743.52M) * Dividend per share ($1.25) = $929.4M. Source for shares outstanding: https://finance.yahoo.com/quote/MCD/key-statistics?p=MCD

5 https://www.sec.gov/ix?doc=/Archives/edgar/data/63908/000006390820000042/mcd-3312020x10q.htm

6 https://www.sec.gov/ix?doc=/Archives/edgar/data/63908/000006390820000042/mcd-3312020x10q.htm

7 https://news.alphastreet.com/mcdonalds-corp-nyse-mcd-q1-2020-earnings-call-transcript/

8 https://www.sec.gov/Archives/edgar/data/63908/000006390820000039/form8k.pdf

9 https://news.alphastreet.com/mcdonalds-corp-nyse-mcd-q1-2020-earnings-call-transcript/

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11 https://www.cnbc.com/2020/03/20/mcdonalds-suspended-its-15-billion-buyback-program-several-weeks-ago.html

12 https://central.virtualshareholdermeeting.com/vsm/web?pvskey=MCD2020

13 https://markets.businessinsider.com/news/stocks/compa-

nies-cut-suspended-dividends-coronavirus-fallout-april-cancel-shareholders-pay-2020-4-1029134178#4-estee-lauder-suspends-its-dividend4.,

14 https://www.kiplinger.com/slideshow/investing/T018-S001-15-dividend-cuts-and-suspensions-coronavirus/index.html

15 https://www.nasdaq.com/articles/here-is-a-list-of-companies-that-have-suspended-dividends-or-stopped-stock-buybacks-in

16 https://markets.businessinsider.com/news/stocks/compa-

nies-cut-suspended-dividends-coronavirus-fallout-april-cancel-shareholders-pay-2020-4-1029134178#4-estee-lauder-suspends-its-dividend4

17 https://www.wsj.com/articles/companies-are-suspending-dividends-at-fastest-pace-in-years-11588075203

18 https://corporate.mcdonalds.com/corpmcd/investors-relations/stock-information/cash-dividend-history.html

19 Production and nonsupervisory workers in U.S. limited-service restaurants worked an average of 24.3 hours a week in 2019, and average hours in the industry have not gone above 24.4 hours a week for at least the last 10 years. See BLS, Current Employment Statistics survey, hours, limited-service restaurants (NAICS code 722513), series ID CEU7072251307. Source: https://data.bls.gov/PDQWeb/ce
6.6% = $61.2 million/$929.4; The expected dividend for the Q2 dividend is equal to $929.4.See note 4, supra.

20 https://twitter.com/McDonalds/status/1268165315415900160?s=20