

# McDonald's franchise spinoffs tamp down earnings

NEW YORK - McDonald's' "All-Day Breakfast" fueled firm sales gains in the second quarter despite weak growth across the fast food industry, the company reported Tuesday.



© payphoto – [123RF.com](http://123RF.com)

But net earnings continued to suffer from the costs of selling off company-owned restaurants to franchisees in a multi-year strategy to trim overhead costs.

Net income for the quarter to June 30 fell 9.1 percent from a year ago to \$1.09 billion, as a solid reduction in operating expenses failed to offset a 3.6 percent fall in revenues.

The company, which is in the middle of an effort to sell off 4,000 company-owned stores to franchise operators, said that comparable sales globally rose 3.1 percent, helped by menu changes.

But bottom-line results, in which earnings per share fell only one cent to \$1.25 owing to a significant share buyback operation, reflected a \$230 million charge from refranchising operations and tepid growth across markets.

"We're making steady progress on transforming our business to satisfy the needs of our customers around the world, despite a challenging environment in several key markets," said chief executive Steve Easterbrook, who was promoted to revive the flagging fast food chain in March 2015.

"I am confident in our system's ability to stay the course and execute our turnaround plan to achieve our goals," he said.

McDonald's, which operates 36,504 restaurants across 120 countries, cut its company-operated outlets by 519 from a year ago to just 6,137. While that has helped cut costs, revenues from franchised restaurants have not offset the decline in sales from company restaurants.

In the United States, second quarter comparable sales rose 1.8 percent helped by the All Day Breakfast and McPick 2 promotions, both innovations under Easterbrook which have turned around a long slump. The US operations are adding more breakfast sandwiches to the All Day Breakfast menu to build on that.

Internationally, sales growth was strongest in China, Russia, Britain, Canada and Australia, the company said.

**Source:** AFP

For more, visit: <https://www.bizcommunity.com>