

McDonald's Investor Bill Ackman Raises Stake to 1.5% (Update3)
2007-02-15 15:11 (New York)

(Adds investor comment in fourth paragraph.)

By Josh Fineman and Chris Burritt

Feb. 15 (Bloomberg) -- Activist investor Bill Ackman, who is threatening a proxy fight against McDonald's Corp., boosted his stake in the world's largest restaurant company.

Ackman, principal of New York-based Pershing Square Capital Management LP, now holds 18.5 million shares, or 1.5 percent, according to a filing yesterday with the U.S. Securities and Exchange Commission. He had owned more than 300,000 shares.

The purchase by Ackman, who helped force Wendy's International Inc. to spin off its Tim Hortons Inc. doughnut chain, increases pressure on McDonald's to speed up the sale of less-profitable units. He wants the company to accelerate the sale of restaurants to franchisees and independent operators, steps he said may push the stock to \$61, 35 percent above yesterday's closing price.

"On the whole, it is reassuring that Ackman sees the opportunity we see in the stock," said Jeff Malcom, who helps manage \$275 million including 181,000 McDonald's shares at Horan Capital Management in Towson, Maryland. "He has some good ideas and has probably helped move the stock higher."

McDonald's shares slipped 3 cents to \$44.99 as of 3:10 p.m. in New York. They had climbed 25 percent before today since McDonald's disclosed that Ackman planned to buy shares.

Selling Restaurants

The company last month reiterated plans to sell 2,300 restaurants in as many as 20 countries to independent operators known as development licensees through 2008. McDonald's also plans to decrease restaurant ownership by selling 100 units to U.K. franchisees through 2008, Chief Financial Officer Matthew Paull said on a Jan. 24 conference call.

Ackman last year told investors in a letter his hedge fund may wage a proxy contest to boost McDonald's shares. Ackman, 40, said in a Nov. 9 interview he's "generally pleased with the steps the company has taken over the last year. I think they are headed in the right direction." He declined to comment today.

In 2005, Ackman urged McDonald's management to sell a 65 percent stake in company-owned restaurants in an initial public offering and borrow \$14.7 billion for a stock buyback. Those steps are "financial engineering" aimed at a quick gain in McDonald's shares, Chief Executive Officer Jim Skinner said at the annual shareholders meeting in May 2006.

McDonald's has increased comparable-store sales for almost four consecutive years by adding higher-priced entree salads and chicken sandwiches to its discount menus in the U.S. and Europe, and extending restaurant hours.

Ackman, once the second-largest shareholder of Wendy's, sold most of his 5.4 percent stake last year after the company spun off Tim Hortons, its largest unit. Dublin, Ohio-based Wendy's is the third-largest U.S. hamburger chain.

In November, Sears Holdings Corp. Chairman Edward Lampert, 44, lost a bid to obtain 100 percent of Sears Canada Inc. when minority shareholders voted against an acquisition offer. Investors including Ackman said the price was too low.

--Editor: McElroy (bqs).

ATT02692

Story illustration: See {MCD US <Equity> EM <GO>} for McDonald's earnings history. For share performance against rivals, click on {S5REST <Index> MRR <GO>}. For today's top Bloomberg News stories about consumer and retail companies, see {RTOP <GO>}.

To contact the reporters on this story:
Josh Fineman in New York at +1-212-617-8953 or
jfineman@bloomberg.net;
Chris Burritt in Greensboro, North Carolina +1-336-808-1348
or cburritt@bloomberg.net.

To contact the editor responsible for this story:
Michael Nol at +1-212-617-2384 or mnol@bloomberg.net

[TAGINFO]

MCD US <Equity> CN

NI US
NI FOD
NI RES

#<328758.3978699.1.0.34.28824.25>#
#<107114.1230382.1.0.34.28824.96>#

#<228726.12544.1.0.34.28824.25>#
-0- Feb/15/2007 20:11 GMT

□