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McDonald's hits 4.5-year high on fund interest

Pershing Capital reportedly taken 4.9% stake in fast food chain

By Shruti Date Singh
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McDonald's Corp. hit a four-and-a-half year high Friday on news that New York-based hedge fund Pershing Square Capital Management LP acquired a 4.9% stake in the world's largest fast-food company.

The company's stock hit \$35.03 just before noon. It was up \$1.03, or 3.1%, at \$34.48 in afternoon trading.

"The news hit and the price went up," says Jeffrey Malcom, portfolio manager of Horan Capital Management LLC based in Towson, MD, referring to a story on Pershing's stake in McDonald's by Bloomberg News. Horan owns 184,000 McDonald's shares. "People saw that someone took a big bet on McDonald's and I guess they are thinking Pershing's done their homework and found something that they haven't."

The 4.9% stake, acquired incrementally over the last few months, makes Pershing McDonald's second largest shareholder after Dodge & Cox, according to Bloomberg.

There's been some speculation that Pershing Square may want to push McDonald's to sell some real estate assets.

A McDonald's spokeswoman would not comment on the notion of real estate sales.

"Based on McDonald's business performance shareholders have demonstrated continued confidence in McDonald's management and strategic direction," the spokeswoman says. "Beyond that we have no specific information on the extent or form of Pershing Square Capital's position in McDonald's."

Mr. Malcom of Horan says the "there could be some play with the real estate" but he says he's not convinced that's where shareholders will find value.

"I don't think it holds the key to making the stock worth tremendously more," he says. "Most of the value comes from their ability to generate cash flow from their core business."