

December 2, 2009

## McDonald's Operating Chief Alvarez to Retire for Health Reasons

*By Courtney Dentch*

Dec. 2 (Bloomberg) -- McDonald's Corp., the world's largest restaurant company, said Ralph Alvarez will retire as president and chief operating officer for health reasons.

Alvarez, 55, will step down from his roles as an executive and as a board member effective Dec. 31, Oak Brook, Illinois-based McDonald's said yesterday in a statement.

"Seven orthopedic surgeries and years of chronic pain culminating in two total knee replacements in the past six months have made me realize it's time to move on," Alvarez said in the statement.

Alvarez was considered by some analysts and investors to be the eventual successor to Chief Executive Officer Jim Skinner, 65, said Janna Sampson, co-chief investment officer of Oakbrook Investments LLC in Lisle, Illinois, which held about 280,000 McDonald's shares as of Sept. 30. Skinner has led the company since 2004. He succeeded a CEO who retired to battle cancer, and who in turn had replaced a CEO who died of a heart attack.

**"We did see him as the heir apparent to Skinner; he played a significant role in the company's performance," said Tom Forte, an analyst with Telsey Advisory Group in New York. "This could extend Skinner's tenure as CEO."**

McDonald's rose 29 cents to \$63.54 yesterday in New York Stock Exchange composite trading. The shares have gained 2.2 percent this year.

The company has no plans at this time to name a new COO, said Walt Riker, a McDonald's spokesman. The company's three regional executives will report directly to Skinner, he said.

'Legitimate Shot'

Don Thompson, president of the U.S. business; Denis Hennequin, president of McDonald's Europe; and Timothy Fenton, head of the Asia Pacific region, are all candidates to take over for Alvarez, said Larry Miller, an analyst with RBC Capital Markets in Atlanta. The company typically promotes from within its ranks, he said.

“All of the area-of-the-world presidents have a legitimate shot,” said Miller, who has a “sector perform” rating on the stock. “They have a deep bench and the management team is pretty aware of the whole global business.”

Skinner took over as CEO in late 2004 when Charles Bell retired to battle colorectal cancer. Bell, who died two months later, had succeeded James Cantalupo, who died of a heart attack in April 2004.

“They’ve had more turnover in the senior ranks than they would have liked,” Miller said.

Alvarez joined McDonald’s in 1994 and has served as COO since August 2006. He was also president of McDonald’s North American and U.S. businesses, where he was responsible for 15,000 restaurants and spearheaded the introduction of products including a \$1.29 snack-size chicken wrap and an Asian salad.

“He and Jim Skinner have led the company through a very prosperous and successful time,” Sampson said. “He shepherded McDonald’s USA through a time when it wasn’t doing very well. It was a terrific comeback.”

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