

**Become
a key
ingredient
in our
success**

**McDonald's
Australia
Franchising
Overview**



i'm lovin' it®

Information current at July 2014

Thank you...

...for your interest in McDonald's and the franchising opportunities we offer.

McDonald's has always been a franchising operation and has relied on its Franchisees to play a major role in our success. 80% of our restaurant businesses in Australia are owned and operated by Franchisees.

In Australia, McDonald's has more than 920 restaurants together employing over 95,000 people. It's all due to Quality, Service, Cleanliness and Value and the McDonald's system of franchising which, we believe, operates better than any other.

What makes our system unique is our business model of the three legged stool. This concept of a partnership between the three legs of the stool - Franchisees, suppliers and our corporate staff is one that ensures our strength.

As the Franchisor it is our role to provide clear and positive leadership with vision, competence and integrity. This leadership will ultimately protect the strategic vision of the brand. We will always put the "system first" in our entire decision making process.

Listening and responding to our customers wants and needs through constant innovation have been key drivers to our success. This success places pressure on all parties who have a responsibility to consistently rise to the occasion each time and deliver an exceptional customer experience.

As we must deliver this leadership, we need our Franchisees to do the same. Having dynamic individuals that are able to create high performance environments within their organisation/s is crucial. They must also be great brand ambassadors and run outstanding restaurants to deliver on our brand promise.

A key factor in both our growth and the growth of our Franchisees is the care we take in recruiting, screening, training, developing and retaining qualified Franchisees – together with our unique relationship with them.

In this brochure we have included some insights from Franchisees. Each one has worked within the framework to build their business and generate success in their local community. Their stories are truly inspirational and make us proud to be a part of the system.

This brochure is designed to provide you with some information and insights into what it is like to be a Franchisee, what we are looking for and our selection process.



Andrew Gregory,
Managing Director / Chief Executive Officer



Clearing up the misconceptions - what's involved?

Talk to any successful McDonald's Franchisee and it is clear there is a lot for you to gain by joining our system.

Here's a preview of some of what is involved. Have you got what it takes?

- You are looking to make a 20 year commitment.
- You are open to the challenge of relocating to anywhere within Australia.
- You aspire to become an integral part of your community as an employer, service provider, and local business leader.
- You are energetic and take a hands-on approach.
- You have had a successful business or career, demonstrated significant team leadership and know how to get the most out of people.
- McDonald's will be your only business, and you're prepared to put in hard work and long hours to make it a success.
- You will commit yourself full time to the business rather than being an absentee investor.
- You are able to make a significant financial investment.
- You are able to commit to our Registered Applicant Training Program for a minimum of 9 months full-time unpaid.

Whilst most McDonald's restaurants are successful, the start of any new business is a risk and success is not guaranteed. The success of any McDonald's restaurant will

depend on many factors not the least of which will be the Franchisee's commitment and ability in key areas.

One of the key reasons behind our success is that we maintain the highest standards of operational excellence while still creating individual opportunities. It is essential that our Franchisees agree to the philosophy of working within the framework of the McDonald's system.

You receive extensive training and ongoing support, not to mention the power of one of the world's best known brands to pull in customers. But in the end, success is up to you. That's why we're looking for a certain type of business partner: one prepared to follow a proven system – the product of over 50 years of food service experience. If you're not good at taking advice, then don't become a McDonald's Franchisee. We don't expect you to reinvent the wheel, just to make it turn faster.

You must personally devote your full time and best efforts to the day to day operation of the business. You must also divest yourself of all other competing business interests. Our restaurants generally operate 24 hours, 7 days a week. This means that you will be required to work a number of different day parts and days a week to ensure the highest standards are met across all of your trading hours.

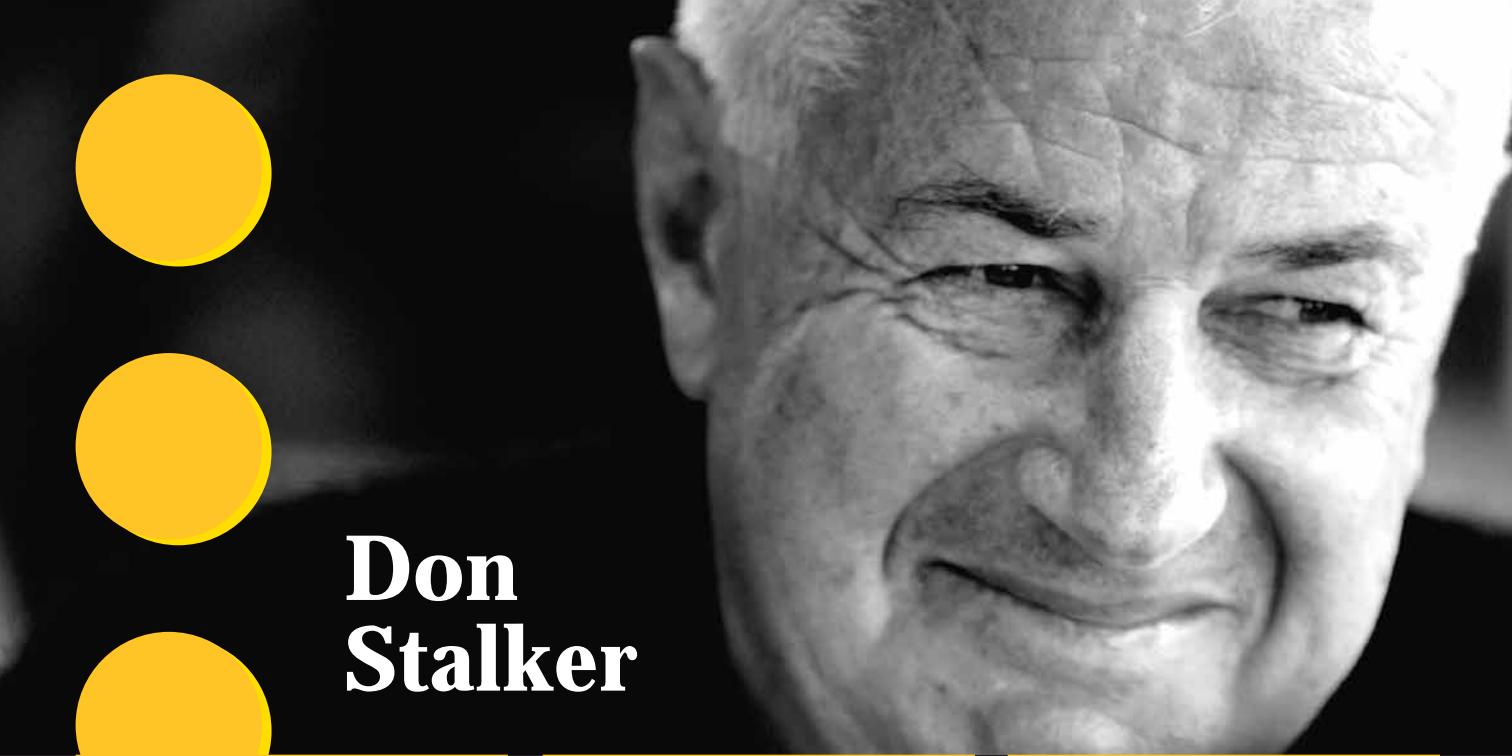
Our restaurants are a busy place and require an extremely hands on approach. Managing a restaurant does include an extensive list of administration duties,

however, it is most important to keep your customers happy. Some examples of what is required include cooking, serving customers, cleaning, talking to customers, accepting deliveries, coaching and training staff - just to name a few. Your ability to lead by example will help ensure your team are well trained and most effective. There is the opportunity in the application process to experience 3 days in a restaurant to help you understand the scope of what is involved.

Only individuals can apply to become a Franchisee. However, the majority of McDonald's Franchisees have opted to incorporate a company (which may or may not act as trustee of a trust) to act as the Franchisee. If you are offered a franchise you should obtain specialist advice on the most appropriate entity with which to purchase and operate the franchise.

The franchise documentation we sign together allows you to operate a specific McDonald's restaurant according to McDonald's standards for a period of up to 20 years (depending on the tenure available). McDonald's purchases or leases the land, develops and constructs the restaurant and retains ownership of the building.

As a Franchisee, you equip the restaurant at your expense with kitchen equipment, lighting, signage, seating, landscaping, air-conditioning and décor. While none of this equipment is purchased from McDonald's, it must meet McDonald's specifications.



Don Stalker

How did you get here?

Before joining McDonald's I was National General Manager for the Poultry Division of George Weston Food. We supplied fresh chicken to McDonald's for 9 years. After working with McDonald's corporate and having direct contact with Franchisees, I decided to join McDonald's and become a Franchisee. I started training at McDonald's Pitt and Park, Sydney, in 1984 and moved to the Gold Coast and opened McDonald's Labrador in 1985.

Proudest people moments?

To work with Crew and Managers and take Crew into Management and then see them become successful Franchisees in their own stores is so rewarding.

My first employee in 1984, Mike Atkins, started as a Trainee Manager. He went from Trainee to Store Manager to Supervisor and became a partner in my business.

He moved to open the first Darwin McDonald's. He returned to the Gold Coast some years later and now owns and operates 5 restaurants (3 of which I opened). He now represents Queensland in Licensee forums on a state and national level.

Benefits of McDonald's?

In becoming a McDonald's Franchisee you have the independence of running your own business but you have the support of the System. People say we are 'lucky'. The harder I work the luckier I seem to be.

Giving back?

As a market leader, you must be involved in your local community. Working with young people in sport, education and arts is very rewarding. It is a great feeling to be able to give back to the community that supports your business.

The learning curve

To maintain quality and uniformity, Franchisees must use McDonald's:

- Formulas and specifications for menu items;
- Methods of operation, inventory control, bookkeeping, accounting and marketing;
- Trademarks;
- Concepts for restaurant design, signage and equipment layout; and
- Information systems.

As a Franchisee, you will operate the franchise according to McDonald's Quality, Service, Cleanliness and Value standards.

To become a successful Franchisee, you need to take on board everything we've learned in over 50 years of successfully running restaurants. That is why our Registered Applicant Training Program goes for a minimum of 9 months full-time and is unpaid.

What does the program cover? The lot.

You'll learn about all our systems and we'll train you to do every role in a McDonald's restaurant. And we mean every role. If the idea of cleaning turns you off, you might want to stop reading now. At the end of the Registered Applicant Training Program, you will have all of the skills you need to take over a restaurant and start to apply your own talents to making it a success.

The training period is unpaid and full time. This is one of the reasons we require potential Franchisees to have accumulated some capital. You will need financial reserves to call on during the time you are training.

McDonald's devotes significant time and resources to its highly regarded training and evaluation program. This comprehensive program is designed to train you in all aspects of operating a McDonald's restaurant and to assist McDonald's in evaluating your potential as a Franchisee.

Most of your training will take place in a McDonald's restaurant. In addition, there are six formal classroom sessions which are spread throughout the Registered Applicant Training Program. The first five are held in regional training centres. The sixth, Restaurant Leadership Practices, is a five day course which is held at the Charlie Bell School of Management in Sydney. Your complete training program will include seminars, conferences and one on one sessions with corporate staff.

After the satisfactory completion of your training and if McDonald's in its sole and absolute discretion continues to regard you as a suitable person in all respects to be granted a McDonald's franchise, you may be offered a McDonald's franchise. There may be a time delay between completion of training and the offer of a franchise depending on availability of a suitable restaurant, and you will not have a choice of location.



Frank Meduri

Greatest achievements?

Credibility and respect for the brand and also myself. Being awarded the Paul Harris Fellow Medal from Rotary and not being a member was a big surprise. I have also been lucky to receive just about all the prestigious McDonald's awards over the years including the Ray Kroc Arch, but being recognised outside of our business shows that you must really be making a difference.

Creating success?

Following the McDonald's plan.

Success with people?

Still having people working for me after 20 years, producing 4 franchisees and head office staff from my own organisation makes me very proud.

What is your McDonald's story?

I started as crew in 1975 at Hurlstone Park. Throughout my time I worked for the company in Restaurant Management and Consultant roles. Left and owned my own business for two years and then I returned to the system to help open the Perth market as a Franchisee. I have opened, closed and relocated 14 stores in my time. My dream would be to live to see a second generation operator in my son Domenic.

Playing an active role in your community

Even after successful completion of the Registered Applicant Training Program, there is no certainty that you will become a Franchisee.

Of course, the support we offer doesn't end with the training. You learn throughout your time as a Franchisee. A consultant is always on hand to give you advice and support. If they can't help, there are the expert teams at Head Office. We also run regular communication sessions and meetings to keep you up to date with current trends, focuses, effects of legislations and future plans. You will even get your say in McDonald's plans through your representative on the National Business Group. Management is accessible and they really do listen to Franchisees. So in a small way, you'll be able to influence the development of one of the world's great brands.

At McDonald's we believe we have a responsibility to add value to the communities in which we operate and we are proud to play an active role in communities all over Australia. One of the ways we do this is by supporting community groups and charities that are important to our customers or that make a difference to the lives of Australians.

For our Franchisees and Restaurant Managers, selling burgers is only part of their job as they are all committed to giving back to their local communities. The flexibility of the McDonald's system means that each Franchisee can contribute locally in a way that is most relevant and appropriate for themselves and their community.

Giving back to the community is a fundamental part of our business philosophy dating back to McDonald's founder, Ray Kroc and is carried on today by the company and our Franchisees. At the heart of

McDonald's commitment to giving back is Ronald McDonald House Charities (RMHC). RMHC is one of Australia's major children's charities and helps thousands of seriously ill children and their families across Australia every year. McDonald's is absolutely committed to the ongoing growth of RMHC and provides significant financial support every year. More importantly, however, it is the sustained interest and involvement of McDonald's company employees and Franchisees that makes the relationship a success.

Beyond RMHC, our current focus on encouraging active lifestyles means that we have an added interest in supporting programs that encourage physical activity. In addition to the thousands of contributions made by McDonald's restaurants to their local community, the company and Franchisees join together to support more than 50 larger state and national sponsorships.



Tony Kitto

How did you join the system?

Having spent 26 years in the property development and construction industry with Lend Lease it was time in 1991 to make a change. Hello McDonald's. After extensive research and fact finding I decided that McDonald's was the only franchise that I wished to pursue. I applied to be a Registered Applicant and was accepted in November of 1991 and began training in December of 1991 at South Oakleigh in Victoria. In November of 1992 I purchased the Mornington Restaurant from an existing Franchisee. The restaurant was a low volume store however I knew the potential of the store and have seen the rewards of many years of focus, community work and population growth pay off where today the store is one of the higher volume stores.

Development opportunities?

The greatest pleasure I get from the business is to see a young 15 year old crew person join the team and grow into a young adult and realised that we have had a contribution to the development and well being of that individual. I endeavour to provide an environment where any one of my people can "show their colours"

Lessons learnt?

Never lose sight of the requirement to commit all resources and time to the business. It does not run itself!!!



Peter Meadows

Why McDonald's?

McDonald's provides endless opportunities for those that are prepared to reach out and grab them, being a Franchisee with McDonald's requires the same level of passion and commitment as any other successful business, success doesn't come easily, you need to work hard at it. The level of support provided by McDonald's in the process though gives you the opportunity to focus on those things that allow you to build the business (yours and theirs) and drive the personal rewards that you would expect from a high level of personal commitment.

How do you create a high performance environment?

Positive role modelling and focus on your people, it's all about what you do, what you say and how you say it. Give your people the opportunity to grow, nurture their growth, don't penalise those that are happy with their position, not everyone wants to be one of tomorrow's leaders, but they love to be good at what they do.

Recognise positive contribution, celebrate results and keep working on continuous improvement.

Roll up your sleeves and get in there and help! You'd be surprised at the positive impact it has on your people. If it's good enough for me it's good enough for them!

Your history?

Cooking Hamburgers after school and 32 years later I own the store I started at!

Money matters

- financial investment & rewards

The following indicative costs and estimates are subject to change without notice. Actual costs will only be determined when a specific restaurant is offered to a Registered Applicant. Size of the restaurant facility, location and style of decor and landscaping will affect costs.

Ongoing Financial Criteria

A Franchisee must maintain a maximum of 75% debt to notional restaurant value ratio for the entire term of their Franchise Agreement. Hence, McDonald's would not permit total borrowings to be more than 75% of the total value of the restaurant.

Some new Franchisees enter the McDonald's system through the purchase of an existing restaurant business from an existing Franchisee or McDonald's. The purchase price usually reflects the market value of the restaurant. The purchaser is not permitted to borrow more than 70% of the McDonald's agreed valuation for their first restaurant. McDonald's valuation may be less than the agreed purchase price.

Term of Franchise:	<ul style="list-style-type: none"> 20 years (except where restricted by the term of a head lease or other factors).
Ongoing Fees:	<ul style="list-style-type: none"> A monthly service/royalty fee based on a percentage of the restaurant's gross sales (currently 5%). A monthly rental being a fixed base rent and a percentage of the restaurant's gross sales A monthly advertising contribution of not less than 4% of gross sales. All Outgoings including rates and utilities.
Initial Costs:	<ul style="list-style-type: none"> Licence Fee paid to McDonald's on or prior to the commencement of the franchise. \$60,000 plus GST Stamp Duty may be payable on the documentation (stamp duty laws vary from State to State so Franchisees must obtain their own legal advice). Documentation Fee. \$5,000 Approximate cost of staff training, salaries, purchase of trading stock, living expenses whilst training and other normal start-up expenses. \$160,000 - \$200,000 (indicative costs). Approximate cost of kitchen equipment, signage, seating, decor, air conditioning and landscaping (paid to suppliers). \$1.6 Million (indicative costs).

Initial Costs are listed in more detail in the McDonald's Disclosure Document, which will be given to prospective licensees when a suitable location has been identified.



Jonathan Pitt

What makes McDonald's different?

I am very proud to be associated with the McDonald's brand. Over the years McDonald's has proved itself to be dynamic and innovative - able to adapt well to changing markets and capitalise on opportunities.

Although there are many different stores with different owners there is a strong common bond that exists. The sharing of ideas and constant drive on improvement and innovation is a positive and rewarding environment to work in.

Community relationships?

To be a successful local business you need to be involved at "grass roots" level and

demonstrate your commitment to the whole community. One of the best things about this process is that it gives you the opportunity to meet many locals and form bonds and friendships with people you may not of otherwise met.

"How do you create a high performance environment?"

Consistency in expectation and rewarding good work creates a high performance work environment. A store's success is directly related to the quality of the people within so this needs to be your number one focus. Treat your people well, ensure they understand what is expected of them and have fun in the process.

"What is your work history, how did you join the McDonald's family?"

After completing a Business degree in Sydney I worked in advertising and marketing roles for six years. At one of the agencies I worked at I met my future wife who's father was a McDonald's Franchisee. I am a second generation Franchisee and grateful for opportunity given to me. In order to purchase a store there were a series of approvals that needed to be met as well as a full year of unpaid training to learn the ropes. The year's training was a huge test of commitment and coming out the other side was very satisfying. I am very happy with the decision I made those years ago and continue to learn and grow every day.

The select few

You may be the right person if you have a proven track record and can demonstrate your ability in the following areas:

- Recruiting and training successful work teams.
- Creating and implementing business plans with short and long term objectives.
- Delivering financial results in a commercial environment.
- Managing teams in a high pressure, dynamic workplace.
- Working in a high-volume, high-turnover customer environment.
- Working in a highly standardised operational/production oriented environment.
- Managing a capital intensive business.
- Having personal accountability for the success of a business.

Our selection process has 6 stages:

Stage 1	A. Phone interview, B. Face to face interview, C. Due diligence checks
Stage 2	On the job evaluation and meeting with Franchisees
Stage 3	Full day of psychometric testing

Stage 4	Interview with representatives from our Finance department and an interview with a Senior Leadership representative
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Stage 5	Review Board – panel interview
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Stage 6	Registered Applicant Training Program. A formal 3 month review at the end of Phase 1 and then ongoing reviews until successful completion
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To find out if you qualify to enter Stage 1, go to the Franchising section of our website <https://mcdonalds.com.au/franchise-opportunities> where you will find an application form and details of where to apply. You will then be notified via email whether you qualify to enter Stage 1.

At any time during the course of our selection process, including the Registered Applicant Training Program, McDonald's has the right to terminate your participation in the process in its sole discretion and without being required to provide you with any reasons.

Of course, you are also able to terminate your participation at any time.

If you participate in the above selection process you will incur costs for:

- An application fee payable before commencement of Stage 3 (refundable if you are unsuccessful at the Review Board interview);
- Travel to your regional office, perhaps more than once;
- Travel to the regional evaluation restaurant and perhaps accommodation for 3 nights;
- Travel to your capital city or Sydney for testing;
- Travel to Sydney for the Review Board interview.

There is also the cost of your time as you will need to bear in mind that McDonald's will not pay you for the time you spend participating in the selection and training process.

If after reading this document you feel that you have what it takes and are interested in applying then go to:

<https://mcdonalds.com.au/franchise-opportunities>



Hani Sidaros

Being a Franchisee?

I am extremely proud and honoured to be a McDonald's Franchisee. I personally think it is a responsibility given to only a few; our very best. This responsibility should be fulfilled and enjoyed at the same time. We are fathers, mothers, brothers, sisters, teachers, friends, councillors, careers advisors, financial advisors, medical advisors, community helpers, mentors to many, business leaders, etc. We play a very important part in many people's lives and I personally take this responsibility very seriously.

Community involvement?

As a Franchisee you become an important part of the local community; you somewhat become the community. The first place of call when the community needs anything

is you. I love and enjoy this relationship because I get the opportunity to help; and ask for nothing in return; just a good relationship. My father taught me at a young age when someone comes to you for assistance; any form of assistance; you are their last hope. Help them no questions asked if you can.

The system benefits?

The partnership with McDonald's is an integral part of our success. The support departments, operations experts, marketing talents, our supply chain etc all help support the system and - my business from all angles and basically has every scenario covered. It is a great feeling of relief that if I get into some type of trouble that I have the support of McDonald's and all its resources to help me.

Your McDonald's story?

We had all turned 15 years of age; my three good mates and I. One of us had got a job at McDonald's Blacktown (Store #4); he convinced us to all apply for a job, which we did. Everyone had got the job but me; 6 months of every Monday afternoon at 4pm for interviews later Warren Bull had asked me "are you back again Hani"; I replied "Yes Warren and I will keep coming back until you give me a job" he hired me.

After working in numerous roles for both the company and different Franchisees, I bought my first store - St Clair on the 1st of August 2003, 22 years after my first shift at McDonald's.

