

Restaurant Brands International Inc.  
Form 10-Q  
October 26, 2017  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-36786

RESTAURANT BRANDS INTERNATIONAL INC.  
(Exact Name of Registrant as Specified in its Charter)

Canada 98-1202754  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)

226 Wyecroft Road L6K 3X7  
Oakville, Ontario (Address of Principal Executive Offices) (Zip Code)  
(905) 845-6511  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (check one);

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Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

As of October 20, 2017, there were 237,532,560 common shares of the Registrant outstanding.

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## PART I — Financial Information

## Item 1. Financial Statements

## RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(In millions of U.S. dollars, except share data)

(Unaudited)

|   | As of<br>September<br>30, 2017 | December<br>31, 2016 |
|---|--------------------------------|----------------------|
| <b>ASSETS</b>   |                                |                      |
| Current assets:   |                                |                      |
| Cash and cash equivalents   | \$3,607.1                      | \$1,460.4            |
| Accounts and notes receivable, net of allowance of \$18.2 and \$14.3, respectively  | 421.9                          | 403.5                |
| Inventories, net  | 91.9                           | 71.8                 |
| Advertising fund restricted assets  | 110.8                          | 57.7                 |
| Prepays and other current assets  | 108.1                          | 103.6                |
| Total current assets  | 4,339.8                        | 2,097.0              |
| Property and equipment, net of accumulated depreciation and amortization of \$585.1 and \$474.5, respectively   | 2,158.2                        | 2,054.7              |
| Intangible assets, net  | 11,121.8                       | 9,228.0              |
| Goodwill  | 5,810.3                        | 4,675.1              |
| Net investment in property leased to franchisees  | 76.1                           | 91.9                 |
| Derivative assets   | —                              | 717.9                |
| Other assets, net   | 421.3                          | 260.3                |
| Total assets  | \$23,927.5                     | \$19,124.9           |
| <b>LIABILITIES, REDEEMABLE PREFERRED SHARES AND SHAREHOLDERS' EQUITY</b>  |                                |                      |
| Current liabilities:  |                                |                      |
| Accounts and drafts payable   | \$365.2                        | \$369.8              |
| Other accrued liabilities   | 530.6                          | 469.3                |
| Gift card liability   | 130.3                          | 194.4                |
| Advertising fund liabilities  | 154.1                          | 83.3                 |
| Current portion of long term debt and capital leases  | 77.5                           | 93.9                 |
| Total current liabilities   | 1,257.7                        | 1,210.7              |
| Term debt, net of current portion   | 11,303.6                       | 8,410.2              |
| Capital leases, net of current portion  | 238.7                          | 218.4                |
| Other liabilities, net  | 1,354.0                        | 784.9                |
| Deferred income taxes, net  | 2,200.3                        | 1,715.1              |
| Total liabilities   | 16,354.3                       | 12,339.3             |
| Redeemable preferred shares; no par value; 68,530,939 shares authorized, issued and outstanding at September 30, 2017 and December 31, 2016   | 3,297.0                        | 3,297.0              |
| Shareholders' equity:   |                                |                      |
| Common shares, no par value; unlimited shares authorized at September 30, 2017 and December 31, 2016; 237,278,477 shares issued and outstanding at September 30, 2017; 234,236,678 shares issued and outstanding at December 31, 2016 | 2,019.6                        | 1,955.1              |
| Retained earnings   | 541.1                          | 445.7                |
| Accumulated other comprehensive income (loss)   | (425.1)                        | (698.3)              |
| Total Restaurant Brands International Inc. shareholders' equity   | 2,135.6                        | 1,702.5              |
| Noncontrolling interests  | 2,140.6                        | 1,786.1              |

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|   |            |            |
|---|------------|------------|
| Total shareholders' equity  | 4,276.2    | 3,488.6    |
| Total liabilities, redeemable preferred shares and shareholders' equity | \$23,927.5 | \$19,124.9 |

See accompanying notes to condensed consolidated financial statements.

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## RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Operations

(In millions of U.S. dollars, except per share data)

(Unaudited)

|   | Three Months<br>Ended<br>September 30, |         | Nine Months Ended<br>September 30, |           |
|---|--|---------|------------------------------------|-----------|
|   | 2017                                   | 2016    | 2017                               | 2016      |
| Revenues:   |  |         |                                    |           |
| Sales   | \$631.6                                | \$586.4 | \$1,784.1                          | \$1,635.5 |
| Franchise and property revenues                               | 577.0                                  | 489.3   | 1,557.8                            | 1,398.9   |
| Total revenues  | 1,208.6                                | 1,075.7 | 3,341.9                            | 3,034.4   |
| Operating costs and expenses:                                 |  |         |                                    |           |
| Cost of sales   | 493.3                                  | 457.1   | 1,376.9                            | 1,285.7   |
| Franchise and property expenses                               | 118.5                                  | 109.8   | 343.2                              | 323.5     |
| Selling, general and administrative expenses                  | 100.1                                  | 82.2    | 318.7                              | 228.5     |
| (Income) loss from equity method investments                  | (4.1 )                                 | (2.6 )  | (8.9 )                             | (16.6 )   |
| Other operating expenses (income), net                        | 21.5                                   | 8.7     | 82.1                               | 38.2      |
| Total operating costs and expenses                            | 729.3                                  | 655.2   | 2,112.0                            | 1,859.3   |
| Income from operations  | 479.3                                  | 420.5   | 1,229.9                            | 1,175.1   |
| Interest expense, net   | 136.0                                  | 117.3   | 375.4                              | 349.6     |
| Loss on early extinguishment of debt                          | 58.2                                   | —       | 78.6                               | —         |
| Income before income taxes                                    | 285.1                                  | 303.2   | 775.9                              | 825.5     |
| Income tax expense  | 38.3                                   | 64.6    | 119.0                              | 171.0     |
| Net income  | 246.8                                  | 238.6   | 656.9                              | 654.5     |
| Net income attributable to noncontrolling interests (Note 11) | 87.9                                   | 84.8    | 223.3                              | 224.8     |
| Preferred share dividends                                     | 67.5                                   | 67.5    | 202.5                              | 202.5     |
| Net income attributable to common shareholders                | \$91.4                                 | \$86.3  | \$231.1                            | \$227.2   |
| Earnings per common share                                     |  |         |                                    |           |
| Basic   | \$0.39                                 | \$0.37  | \$0.98                             | \$0.98    |
| Diluted   | \$0.37                                 | \$0.36  | \$0.95                             | \$0.96    |
| Weighted average shares outstanding                           |  |         |                                    |           |
| Basic   | 236.6                                  | 233.9   | 235.7                              | 232.5     |
| Diluted   | 478.6                                  | 470.6   | 477.7                              | 469.7     |
| Cash dividends declared per common share                      | \$0.20                                 | \$0.16  | \$0.57                             | \$0.45    |

See accompanying notes to condensed consolidated financial statements.

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## RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Comprehensive Income (Loss)

(In millions of U.S. dollars)

(Unaudited)

|   | Three Months<br>Ended<br>September 30, |         | Nine Months<br>Ended<br>September 30, |         |
|---|--|---------|---------------------------------------|---------|
|   | 2017                                   | 2016    | 2017                                  | 2016    |
| Net income  | \$246.8                                | \$238.6 | \$656.9                               | \$654.5 |
| Foreign currency translation adjustment   | 423.0                                  | (131.7) | 884.2                                 | 538.8   |
| Net change in fair value of net investment hedges, net of tax of \$45.4, \$(2.7), \$7.3 and \$25.9        | (126.1)                                | 17.4    | (342.5)                               | (173.7) |
| Net change in fair value of cash flow hedges, net of tax of \$1.4, \$(0.7), \$8.2 and \$20.7              | (3.9)                                  | 2.4     | (23.0)                                | (58.6)  |
| Amounts reclassified to earnings of cash flow hedges, net of tax of \$(2.5), \$(1.9), \$(6.3) and \$(3.7) | 6.9                                    | 5.4     | 17.9                                  | 10.5    |
| Pension and post-retirement benefit plans, net of tax of \$0, \$0, \$0.1 and \$0                          | —                                      | —       | (0.1)                                 | —       |
| Amortization of prior service (credits) costs, net of tax of \$0.2, \$0.3, \$0.8 and \$0.9                | (0.5)                                  | (0.4)   | (1.3)                                 | (1.3)   |
| Amortization of actuarial (gains) losses, net of tax of \$0, \$0, \$0.7 and \$(0.1)                       | 0.3                                    | 0.1     | 1.5                                   | 0.2     |
| Other comprehensive income (loss)   | 299.7                                  | (106.8) | 536.7                                 | 315.9   |
| Comprehensive income (loss)   | 546.5                                  | 131.8   | 1,193.6                               | 970.4   |
| Comprehensive income (loss) attributable to noncontrolling interests                                      | 234.6                                  | 32.2    | 486.3                                 | 383.2   |
| Comprehensive income attributable to preferred shareholders   | 67.5                                   | 67.5    | 202.5                                 | 202.5   |
| Comprehensive income (loss) attributable to common shareholders   | \$244.4                                | \$32.1  | \$504.8                               | \$384.7 |
| See accompanying notes to condensed consolidated financial statements.                                    |  |         |                                       |         |

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## RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Shareholders' Equity

(In millions of U.S. dollars, except shares)

(Unaudited)

|   | Issued Common Shares |           | Retained Earnings | Accumulated Other Comprehensive Income (Loss) |            | Noncontrolling Interest | Total |
|---|----------------------|-----------|-------------------|---|------------|-------------------------|-------|
|   | Shares               | Amount    |                   |   |            |                         |       |
| Balances at December 31, 2016   | 234,236,678          | \$1,955.1 | \$445.7           | \$ (698.3 )                                   | \$ 1,786.1 | \$3,488.6               |       |
| Stock option exercises  | 2,732,130            | 17.5      | —                 | —   | —          | 17.5                    |       |
| Share-based compensation  | —                    | 35.8      | —                 | —   | —          | 35.8                    |       |
| Issuance of shares  | 153,683              | 8.5       | —                 | —   | —          | 8.5                     |       |
| Dividends declared on common shares   | —                    | —         | (134.5 )          | —   | —          | (134.5 )                |       |
| Dividend equivalents declared on restricted stock units                           | —                    | 1.2       | (1.2 )            | —   | —          | —                       |       |
| Distributions declared by Partnership on Partnership exchangeable units (Note 11) | —                    | —         | —                 | —   | (129.3 )   | (129.3 )                |       |
| Preferred share dividends   | —                    | —         | (202.5 )          | —   | —          | (202.5 )                |       |
| Exchange of Partnership exchangeable units for RBI common shares                  | 155,986              | 1.5       | —                 | (0.5 )  | (1.0 )     | —                       |       |
| Restaurant VIE contributions (distributions)                                      | —                    | —         | —                 | —   | (1.5 )     | (1.5 )                  |       |
| Net income  | —                    | —         | 433.6             | —   | 223.3      | 656.9                   |       |
| Other comprehensive income (loss)   | —                    | —         | —                 | 273.7   | 263.0      | 536.7                   |       |
| Balances at September 30, 2017  | 237,278,477          | \$2,019.6 | \$541.1           | \$ (425.1 )                                   | \$ 2,140.6 | \$4,276.2               |       |

See accompanying notes to condensed consolidated financial statements.



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## RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Cash Flows

(In millions of U.S. dollars)

(Unaudited)

|   | Nine Months Ended<br>September 30, |           |
|---|------------------------------------|-----------|
|   | 2017                               | 2016      |
| Cash flows from operating activities:   |                                    |           |
| Net income  | \$656.9                            | \$654.5   |
| Adjustments to reconcile net income to net cash provided by operating activities:                       |                                    |           |
| Depreciation and amortization   | 134.9                              | 129.0     |
| Premiums paid and non-cash loss on early extinguishment of debt   | 75.9                               | —         |
| Amortization of deferred financing costs and debt issuance discount                                     | 25.2                               | 29.1      |
| (Income) loss from equity method investments  | (8.9                               | ) (16.6   |
| Loss (gain) on remeasurement of foreign denominated transactions  | 64.7                               | 16.1      |
| Net losses on derivatives   | 23.1                               | 15.3      |
| Share-based compensation expense  | 38.0                               | 25.9      |
| Deferred income taxes   | (3.1                               | ) 34.6    |
| Other   | 12.8                               | 8.0       |
| Changes in current assets and liabilities, excluding acquisitions and dispositions:                     |                                    |           |
| Accounts and notes receivable   | 0.3                                | 20.0      |
| Inventories and prepaids and other current assets   | (12.5                              | ) (3.0    |
| Accounts and drafts payable   | (30.4                              | ) 11.8    |
| Advertising fund restricted assets and fund liabilities   | 18.1                               | 4.0       |
| Other accrued liabilities and gift card liability   | (161.4                             | ) (23.8   |
| Other long-term assets and liabilities  | (20.1                              | ) 14.1    |
| Net cash provided by operating activities   | 813.5                              | 919.0     |
| Cash flows from investing activities:   |                                    |           |
| Payments for property and equipment   | (16.9                              | ) (18.2   |
| Proceeds from disposal of assets, restaurant closures, and refranchisings                               | 19.6                               | 18.1      |
| Net payment for purchase of Popeyes, net of cash acquired   | (1,635.9                           | ) —       |
| Return of investment on direct financing leases   | 11.8                               | 12.5      |
| Settlement/sale of derivatives, net   | 771.8                              | 4.9       |
| Other investing activities, net   | (2.3                               | ) 2.0     |
| Net cash provided by (used for) investing activities  | (851.9                             | ) 19.3    |
| Cash flows from financing activities:   |                                    |           |
| Proceeds from issuance of long-term debt  | 4,350.0                            | —         |
| Repayments of long-term debt and capital leases   | (1,690.0                           | ) (52.7   |
| Payment of financing costs  | (57.0                              | ) —       |
| Payment of dividends on common and preferred shares and distributions on Partnership exchangeable units | (451.9                             | ) (396.9  |
| Proceeds from stock option exercises  | 17.5                               | 12.5      |
| Other financing activities, net   | (6.2                               | ) 0.8     |
| Net cash provided by (used for) financing activities  | 2,162.4                            | (436.3    |
| Effect of exchange rates on cash and cash equivalents   | 22.7                               | 14.6      |
| Increase (decrease) in cash and cash equivalents  | 2,146.7                            | 516.6     |
| Cash and cash equivalents at beginning of period  | 1,460.4                            | 757.8     |
| Cash and cash equivalents at end of period  | \$3,607.1                          | \$1,274.4 |
| Supplemental cashflow disclosures:  |                                    |           |

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|  |         |         |
|--|---------|---------|
| Interest paid  | \$340.2 | \$285.9 |
| Income taxes paid  | \$189.3 | \$93.3  |
| Non-cash investing and financing activities:                           |         |         |
| Acquisition of property with capital lease obligations                 | \$23.0  | \$22.5  |
| See accompanying notes to condensed consolidated financial statements. |         |         |

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## RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

## Note 1. Description of Business and Organization

Restaurant Brands International Inc. (the “Company,” “RBI,” “we,” “us” or “our”) was formed on August 25, 2014 and continued under the laws of Canada. The Company serves as the sole general partner of Restaurant Brands International Limited Partnership (the “Partnership”). We franchise and operate quick service restaurants serving premium coffee and other beverage and food products under the Tim Hortons® brand (“Tim Hortons”), fast food hamburger restaurants principally under the Burger King® brand (“Burger King”), and chicken quick service restaurants under the Popeyes® brand (“Popeyes”). We are one of the world’s largest quick service restaurant, or QSR, companies as measured by total number of restaurants. As of September 30, 2017, we franchised or owned 4,680 Tim Hortons restaurants, 16,253 Burger King restaurants, and 2,809 Popeyes restaurants, for a total of 23,742 restaurants, and operate in more than 100 countries and U.S. territories. Approximately 100% of current system-wide restaurants are franchised.

All references to “\$” or “dollars” are to the currency of the United States unless otherwise indicated. All references to Canadian dollars or C\$ are to the currency of Canada unless otherwise indicated.

## Note 2. Popeyes Acquisition

On March 27, 2017, we completed the acquisition of all of the outstanding shares of common stock of Popeyes Louisiana Kitchen, Inc. (the “Popeyes Acquisition”). Popeyes Louisiana Kitchen Inc. is one of the world’s largest chicken quick service restaurant companies and its global footprint complements RBI’s existing portfolio. Like RBI’s other brands, the Popeyes brand is managed independently, while benefitting from the global scale and resources of RBI. The Popeyes Acquisition was accounted for as a business combination using the acquisition method of accounting.

Total consideration in connection with the Popeyes Acquisition was \$1,654.7 million, which includes \$32.6 million for the settlement of equity awards. The consideration was funded through (1) cash on hand of approximately \$354.7 million, and (2) \$1,300.0 million from incremental borrowings under our Term Loan Facility – see Note 9, Long-Term Debt.

Fees and expenses related to the Popeyes Acquisition and related financings totaled \$34.4 million consisting primarily of professional fees and compensation related expenses, all of which are classified as selling, general and administrative expenses in the accompanying condensed consolidated statements of operations. These fees and expenses were funded through cash on hand.

During the three months ended September 30, 2017, we adjusted our preliminary estimate of the fair value of net assets acquired. The preliminary allocation of consideration to the net tangible and intangible assets acquired is presented in the table below (in millions):

|  | March 27,<br>2017 |
|--|-------------------|
| Total current assets                     | \$64.4            |
| Property and equipment                   | 115.2             |
| Intangible assets                        | 1,405.2           |
| Other assets                             | 0.7               |
| Total current liabilities                | (73.9 )           |
| Total debt and capital lease obligations | (159.0 )          |
| Deferred income taxes                    | (523.2 )          |
| Other liabilities                        | (20.5 )           |
| Total identifiable net assets            | 808.9             |
| Goodwill                                 | 845.8             |
| Total consideration                      | \$1,654.7         |



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The adjustments to the preliminary estimate of net assets acquired initially disclosed during the period ended March 31, 2017 resulted in a corresponding \$232.5 million decrease in estimated goodwill due to the following changes to preliminary estimates of fair values and allocation of purchase price (in millions):

|                            | Increase<br>(Decrease)<br>in<br>Goodwill |
|----------------------------|--|
| Change in:                 |  |
| Total current assets       | \$ —                                     |
| Property and equipment     | (18.7 )                                  |
| Intangible assets          | (385.2 )                                 |
| Total current liabilities  | (0.8 )                                   |
| Deferred income taxes      | 164.9                                    |
| Other liabilities          | 7.3                                      |
| Total decrease in goodwill | \$ (232.5 )                              |

The purchase price allocation reflects preliminary fair value estimates based on management's analysis, including preliminary work performed by third-party valuation specialists. We will continue to obtain information to assist in determining the fair value of net assets acquired during the measurement period.

Intangible assets include \$1,354.9 million related to the Popeyes brand, \$40.9 million related to franchise agreements and \$9.4 million related to favorable leases. The Popeyes brand has been assigned an indefinite life and, therefore, will not be amortized, but rather tested annually for impairment. Franchise agreements have a weighted average amortization period of 17 years. Favorable leases have a weighted average amortization period of 14 years.

Goodwill attributable to the Popeyes Acquisition will not be amortizable or deductible for tax purposes. Goodwill is considered to represent the value associated with the workforce and synergies anticipated to be realized as a combined company. We have not yet allocated goodwill related to the Popeyes Acquisition to reporting units for goodwill impairment testing purposes. Goodwill will be allocated to reporting units when the purchase price allocation is finalized during the measurement period.

The Popeyes Acquisition is not material to our consolidated financial statements, and therefore, supplemental pro forma financial information related to the acquisition is not included herein.

### Note 3. Basis of Presentation and Consolidation

We have prepared the accompanying unaudited condensed consolidated financial statements (the "Financial Statements") in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("U.S. GAAP") for complete financial statements. Therefore, the Financial Statements should be read in conjunction with the audited consolidated financial statements contained in our Annual Report on Form 10-K filed with the SEC and Canadian securities regulatory authorities on February 17, 2017.

The Financial Statements include our accounts and the accounts of entities in which we have a controlling financial interest, the usual condition of which is ownership of a majority voting interest. All material intercompany balances and transactions have been eliminated in consolidation. Investments in other affiliates that are owned 50% or less where we have significant influence are accounted for by the equity method.

We are the sole general partner of Partnership and, as such we have the exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of Partnership, subject to the terms of the amended and restated limited partnership agreement of Partnership (the "partnership agreement") and applicable laws. As a result, we consolidate the results of Partnership and record a noncontrolling interest in our consolidated balance sheets and statements of operations with respect to the remaining economic interest in Partnership we do not hold.



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We also consider for consolidation entities in which we have certain interests, where the controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a variable interest entity (“VIE”), is required to be consolidated by its primary beneficiary.

Tim Hortons has historically entered into certain arrangements in which an operator acquires the right to operate a restaurant, but Tim Hortons owns the restaurant’s assets. We perform an analysis to determine if the legal entity in which operations are conducted is a VIE and consolidate a VIE entity if we also determine Tim Hortons is the entity’s primary beneficiary (“Restaurant VIEs”). As of September 30, 2017 and December 31, 2016, we determined that we are the primary beneficiary of 38 and 96 Restaurant VIEs, respectively. As Tim Hortons, Burger King, and Popeyes franchise and master franchise arrangements provide the franchise and master franchise entities the power to direct the activities that most significantly impact their economic performance, we do not consider ourselves the primary beneficiary of any such entity that might be a VIE.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation have been included in the Financial Statements. The results for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the full year.

The preparation of consolidated financial statements in conformity with U.S. GAAP and related rules and regulations of the SEC requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Certain prior year amounts in the accompanying Financial Statements and notes to the Financial Statements have been reclassified in order to be comparable with the current year classifications. These reclassifications had no effect on previously reported net income.

Note 4. New Accounting Pronouncements

Revenue Recognition – In May 2014, the Financial Accounting Standards Board (the “FASB”) issued a new single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. In August 2015, the FASB deferred adoption of the new standard by one year. Several updates have been issued since to clarify the implementation guidance. The new guidance supersedes most current revenue recognition guidance, including industry-specific guidance, enhances revenue recognition disclosures, and is now effective commencing in 2018. The guidance allows for either a full retrospective or modified retrospective transition method. We currently expect to apply the modified retrospective transition method.

We have performed a preliminary analysis of the impact of the new revenue recognition guidance and developed a comprehensive plan for the implementation. The project plan includes analyzing the impact on our current revenue streams, comparing our historical accounting policies to the new guidance, and identifying potential differences from applying the requirements of the new guidance to our contracts. Under current accounting guidance, we recognize initial franchise fees when we have performed all material obligations and services, which generally occurs when the franchised restaurant opens. Under the new guidance, we anticipate deferring the initial franchise fees and recognizing revenue over the term of the related franchise agreement. We anticipate that the new guidance will also change our reporting of advertising fund contributions from franchisees and the related advertising expenditures, which are currently reported on a net basis in our consolidated balance sheet. Under the current guidance, as of the balance sheet date, advertising fund contributions received may not equal advertising expenditures for the period due to the timing of promotions. To the extent that contributions received exceeded advertising expenditures, the excess contributions are treated as a deferred liability. To the extent that advertising expenditures temporarily exceeded advertising fund contributions, the difference is recorded as a receivable from the fund. Under the new guidance, we anticipate advertising fund contributions from franchisees and advertising fund expenditures will be reported on a gross basis and the related advertising fund revenues and expenses may be reported in different periods.

We anticipate that estimated breakage income on gift cards will be recognized as gift cards are utilized instead of our current policy of deferring the breakage income until it is deemed remote that the unused gift card balance will be redeemed. We do not believe this guidance will materially impact our recognition of revenue from Company restaurant sales, our recognition of royalty revenues from franchisees, or our recognition of revenues from property rentals.

Lease Accounting – In February 2016, the FASB issued new guidance on leases. The new guidance requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by finance and operating leases with lease terms of more than 12 months, as well as enhanced disclosures. The amendment requires the recognition and

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measurement of leases at the beginning of the earliest period presented using a modified retrospective approach and is effective commencing in 2019. We expect this new guidance to cause a material increase to our assets and liabilities on our consolidated balance sheet since we have a significant number of operating lease arrangements for which we are the lessee. We are currently evaluating the impact that adoption of this guidance will have on our consolidated statements of operations. We do not expect the adoption of this new guidance to have a material impact on our cash flows and liquidity.

Derivative Contract Novations on Existing Hedges – In March 2016, the FASB issued an accounting standards update that clarifies that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under existing accounting guidance does not, in and of itself, require de-designation of that hedging relationship provided that all other hedge accounting criteria continue to be met. We adopted this new guidance on a prospective basis on January 1, 2017. Adoption did not have an impact on our consolidated financial statements.

Equity Method Accounting – In March 2016, the FASB issued an accounting standards update which eliminates the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in level of ownership interest or degree of influence. We adopted this new guidance on a prospective basis on January 1, 2017. Adoption did not have an impact on our consolidated financial statements.

Employee Share-Based Payment Accounting – In March 2016, the FASB issued an accounting standards update to simplify several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, forfeitures and statutory withholding requirements, as well as statement of cash flows presentation. The transition requirement is mostly modified retrospective, with the exception of recognition of excess tax benefits and tax deficiencies which requires prospective adoption. We adopted this new guidance on January 1, 2017. The adoption of this new guidance resulted in an increase to our diluted weighted average shares outstanding, as well as recognition of excess tax benefits as a reduction in the provision for income taxes rather than an addition to common shares, as required by previous accounting guidance. The adoption of this new guidance resulted in a 6.8% and 4.5% reduction in our effective tax rate for the three and nine months ended September 30, 2017, respectively. We will continue to estimate forfeitures instead of accounting for them as they occur as permitted by the new standard. The adoption of the other provisions of this new guidance did not have an impact on our consolidated financial statements.

Classification of Certain Cash Receipts and Cash Payments – In August 2016, the FASB issued an accounting standards update to reduce the existing diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are effective for 2018. We do not expect the adoption of this new guidance to have a material impact on our consolidated financial statements.

Intra-Entity Transfers of Assets Other Than Inventory – In October 2016, the FASB issued guidance amending the accounting for income taxes. The new guidance requires the recognition of the income tax consequences of an intercompany asset transfer, other than transfers of inventory, when the transfer occurs. For intercompany transfers of inventory, the income tax effects will continue to be deferred until the inventory has been sold to a third party. The amendment is effective for 2018. We are currently evaluating the impact that the adoption of this new guidance will have on our consolidated financial statements.

Goodwill Impairment – In January 2017, the FASB issued guidance to simplify how an entity measures goodwill impairment by removing the second step of the two-step quantitative goodwill impairment test. An entity will no longer perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, impairment will be measured at the amount by which the carrying value exceeds the fair value of a reporting unit; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The amendment requires prospective adoption and is effective commencing in 2020 with early adoption permitted.

Hedge Accounting – In August 2017, the FASB issued guidance to (1) improve the transparency and understandability of information conveyed to financial statement users about an entity's risk management activities by better aligning the entity's financial reporting for hedging relationships with those risk management activities and (2) reduce the complexity of and simplify the application of hedge accounting by preparers. The amendment is effective commencing in 2019 with early adoption permitted. We are currently evaluating the impact that the adoption of this new guidance will have on our consolidated financial statements.



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## Note 5. Earnings per Share

An economic interest in Partnership common equity is held by the holders of Class B exchangeable limited partnership units (the “Partnership exchangeable units”), which is reflected as a noncontrolling interest in our equity. See Note 11, Shareholders’ Equity.

Basic and diluted earnings per share is computed using the weighted average number of shares outstanding for the period. We apply the treasury stock method to determine the dilutive weighted average common shares represented by Partnership exchangeable units and outstanding stock options, unless the effect of their inclusion is anti-dilutive. The diluted earnings per share calculation assumes conversion of 100% of the Partnership exchangeable units under the “if converted” method. Accordingly, the numerator is also adjusted to include the earnings allocated to the holders of noncontrolling interests.

The following table summarizes the basic and diluted earnings per share calculations (in millions, except per share amounts):

|  | Three Months<br>Ended<br>September 30,<br>2017 |         | Nine Months<br>Ended<br>September 30,<br>2016 |         |
|--|--|---------|---|---------|
| Numerator:   |  |         |   |         |
| Net income attributable to common shareholders - basic                             | \$91.4   | \$86.3  | \$231.1                                       | \$227.2 |
| Add: Net income attributable to noncontrolling interests                           | 87.6   | 83.8    | 222.2   | 222.0   |
| Net income available to common shareholders and noncontrolling interests - diluted | \$179.0  | \$170.1 | \$453.3                                       | \$449.2 |
| Denominator:   |  |         |   |         |
| Weighted average common shares - basic   | 236.6  | 233.9   | 235.7   | 232.5   |
| Exchange of noncontrolling interests for common shares (Note 11)                   | 226.8  | 227.1   | 226.9   | 228.0   |
| Effect of other dilutive securities  | 15.2   | 9.6     | 15.1  | 9.2     |
| Weighted average common shares - diluted   | 478.6  | 470.6   | 477.7   | 469.7   |
| Basic earnings per share   | \$0.39   | \$0.37  | \$0.98  | \$0.98  |
| Diluted earnings per share   | \$0.37   | \$0.36  | \$0.95  | \$0.96  |
| Anti-dilutive securities outstanding   | 3.8  | 5.9     | 3.8   | 5.9     |

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## Note 6. Intangible Assets, net and Goodwill

Intangible assets, net and goodwill consist of the following (in millions):

|  | As of<br>September 30, 2017 |                             |            | December 31, 2016 |                             |           |
|--|-----------------------------|-----------------------------|------------|-------------------|-----------------------------|-----------|
|  | Gross                       | Accumulated<br>Amortization | Net        | Gross             | Accumulated<br>Amortization | Net       |
| Identifiable assets subject to amortization: |                             |                             |            |                   |                             |           |
| Franchise agreements                         | \$724.3                     | \$ (160.3 )                 | \$564.0    | \$655.1           | \$ (132.4 )                 | \$522.7   |
| Favorable leases                             | 460.1                       | (184.9 )                    | 275.2      | 436.0             | (149.7 )                    | 286.3     |
| Subtotal                                     | 1,184.4                     | (345.2 )                    | 839.2      | 1,091.1           | (282.1 )                    | 809.0     |
| Indefinite lived intangible assets:          |                             |                             |            |                   |                             |           |
| Tim Hortons brand                            | \$6,776.9                   | \$ —                        | \$6,776.9  | \$6,341.6         | \$ —                        | \$6,341.6 |
| Burger King brand                            | 2,150.8                     | —                           | 2,150.8    | 2,077.4           | —                           | 2,077.4   |
| Popeyes brand                                | 1,354.9                     | —                           | 1,354.9    | —                 | —                           | —         |
| Subtotal                                     | 10,282.6                    | —                           | 10,282.6   | 8,419.0           | —                           | 8,419.0   |
| Intangible assets, net                       |                             |                             | \$11,121.8 |                   |                             | \$9,228.0 |
| Goodwill                                     |                             |                             |            |                   |                             |           |
| Tim Hortons segment                          | \$4,356.9                   |                             |            | \$4,087.8         |                             |           |
| Burger King segment                          | 607.6                       |                             |            | 587.3             |                             |           |
| Popeyes segment                              | 845.8                       |                             |            | —                 |                             |           |
| Total  | \$5,810.3                   |                             |            | \$4,675.1         |                             |           |

Amortization expense on intangible assets totaled \$18.7 million for the three months ended September 30, 2017 and \$18.1 million for the same period in the prior year. Amortization expense on intangible assets totaled \$54.2 million for the nine months ended September 30, 2017 and \$54.2 million for the same period in the prior year. The change in the brands and goodwill balances during the nine months ended September 30, 2017 was due principally to the addition of goodwill and the Popeyes brand from the Popeyes Acquisition, and to a lesser extent, the impact of foreign currency translation.

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## Note 7. Equity Method Investments

The aggregate carrying amount of our equity method investments was \$156.8 million and \$151.1 million as of September 30, 2017 and December 31, 2016, respectively, and is included as a component of other assets, net in our accompanying condensed consolidated balance sheets. Our Tim Hortons (“TH”) business and Burger King (“BK”) business both have equity method investments. Our Popeyes Louisiana Kitchen (“PLK”) business does not have any equity method investments. Select information about our most significant equity method investments, based on the carrying value as of September 30, 2017, was as follows:

| Entity                               | Country       | Equity Interest |
|--------------------------------------|---------------|-----------------|
| TIMWEN Partnership                   | Canada        | 50.0%           |
| Carrols Restaurant Group, Inc.       | United States | 20.7%           |
| Pangaea Foods (China) Holdings, Ltd. | China         | 27.5%           |

With respect to our TH business, the most significant equity method investment is our 50% joint venture interest with The Wendy’s Company (the “TIMWEN Partnership”), which jointly holds real estate underlying Canadian combination restaurants. Distributions received from this joint venture were \$2.7 million and \$2.7 million during the three months ended September 30, 2017 and 2016, respectively. Distributions received from this joint venture were \$8.1 million and \$8.3 million during the nine months ended September 30, 2017 and 2016, respectively.

The aggregate market value of our equity interest in Carrols Restaurant Group, Inc. (“Carrols”), the most significant equity method investment for our BK business, based on the quoted market price on September 30, 2017, was approximately \$102.6 million. No quoted market prices are available for our other equity method investments.

We have equity interests in entities that own or franchise Tim Hortons or Burger King restaurants. Franchise and property revenues recognized from franchisees that are owned or franchised by entities in which we have an equity interest consist of the following (in millions):

|                                  | Three<br>Months<br>Ended<br>September<br>30,<br>2017 |        | Nine Months<br>Ended<br>September 30,<br>2016 |         |
|----------------------------------|--|--------|---|---------|
| Revenues from affiliates:        |  |        |   |         |
| Franchise royalties              | \$39.2   | \$34.9 | \$121.1                                       | \$94.2  |
| Property revenues                | 7.2  | 6.9    | 20.1  | 21.1    |
| Franchise fees and other revenue | 3.7  | 6.8    | 14.7  | 14.7    |
| Total                            | \$50.1   | \$48.6 | \$155.9                                       | \$130.0 |

We recognized \$5.3 million and \$5.1 million of rent expense associated with the TIMWEN Partnership during the three months ended September 30, 2017 and 2016, respectively. We recognized \$14.7 million and \$14.7 million of rent expense associated with the TIMWEN Partnership during the nine months ended September 30, 2017 and 2016, respectively.

At September 30, 2017 and December 31, 2016, we had \$27.8 million and \$25.7 million, respectively, of accounts receivable, net from our equity method investments which were recorded in accounts and notes receivable, net in our condensed consolidated balance sheets.

(Income) loss from equity method investments reflects our share of investee net income or loss, non-cash dilution gains or losses from changes in our ownership interests in equity method investees and basis difference amortization. We recorded an increase to the carrying value of our equity method investment balance and a non-cash dilution gain of \$11.6 million during the nine months ended September 30, 2016. The dilution gain resulted from the issuance of capital stock by one of our equity method investees, which reduced our ownership interest in this equity method investment. The dilution gain we recorded in connection with the issuance of capital stock reflects adjustments to the

difference between the amount of underlying equity in the net assets of the equity method investee before and after their issuance of capital stock.

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## Note 8. Other Accrued Liabilities and Other Liabilities, net

Other accrued liabilities (current) and other liabilities, net (noncurrent) consist of the following (in millions):

|                                    | As of      |          |
|------------------------------------|------------|----------|
|                                    | September  | December |
|                                    | 30, 2017   | 31, 2016 |
| Current:                           |            |          |
| Dividend payable                   | \$ 160.3   | \$ 146.1 |
| Interest payable                   | 63.9       | 63.3     |
| Accrued compensation and benefits  | 65.5       | 60.5     |
| Taxes payable                      | 83.2       | 43.3     |
| Deferred income                    | 49.7       | 54.7     |
| Closed property reserve            | 11.1       | 11.0     |
| Restructuring and other provisions | 10.6       | 9.1      |
| Other                              | 86.3       | 81.3     |
| Other accrued liabilities          | \$ 530.6   | \$ 469.3 |
| Noncurrent:                        |            |          |
| Unfavorable leases                 | \$ 264.7   | \$ 275.8 |
| Taxes payable                      | 390.0      | 252.2    |
| Accrued pension                    | 77.5       | 82.9     |
| Derivatives liabilities            | 479.2      | 55.1     |
| Lease liability                    | 26.0       | 27.2     |
| Deferred income                    | 40.5       | 27.1     |
| Other                              | 76.1       | 64.6     |
| Other liabilities, net             | \$ 1,354.0 | \$ 784.9 |

## 9. Long-Term Debt

Long-term debt consists of the following (in millions):

|  | As of       |            |
|--|-------------|------------|
|  | September   | December   |
|  | 30, 2017    | 31, 2016   |
| Term Loan Facility (due February 17, 2024)                             | \$6,404.8   | \$5,046.1  |
| 2017 4.25% Senior Notes (due May 15, 2024)                             | 1,500.0     | —          |
| 2015 4.625% Senior Notes (due January 15, 2022)                        | 1,250.0     | 1,250.0    |
| 2017 5.00% Senior Notes (due October 15, 2025)                         | 1,300.0     | —          |
| 2014 6.00% Senior Notes (due April 1, 2022)                            | 1,000.0     | 2,250.0    |
| Tim Hortons Notes (a)  | 5.2         | 40.6       |
| Other  | 86.1        | 85.4       |
| Less: unamortized deferred financing costs and deferred issue discount | (185.8 )    | (187.1 )   |
| Total debt, net  | 11,360.3    | 8,485.0    |
| Less: current maturities of debt                                       | (56.7 )     | (74.8 )    |
| Total long-term debt   | \$ 11,303.6 | \$ 8,410.2 |

(a) \$35.6 million of Tim Hortons Notes were repaid on June 1, 2017, the original maturity date.

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### Refinancing of Credit Facilities

On February 17, 2017, two of our subsidiaries (the “Borrowers”) entered into a second amendment (the “Second Amendment”) to the credit agreement governing our senior secured term loan facility (the “Term Loan Facility”) and our senior secured revolving credit facility of up to \$500.0 million of revolving extensions of credit outstanding at any time (including revolving loans, swingline loans and letters of credit) (the “Revolving Credit Facility” and together with the Term Loan Facility, the “Credit Facilities”). Under the Second Amendment, (i) the outstanding aggregate principal amount under our Term Loan Facility was decreased to \$4,900.0 million as a result of a repayment of \$146.1 million from cash on hand, (ii) the interest rate applicable to our Term Loan Facility was reduced to, at our option, either (a) a base rate plus an applicable margin equal to 1.25%, or (b) a Eurocurrency rate plus an applicable margin equal to 2.25%, (iii) the maturity of our Term Loan Facility was extended from December 12, 2021 to February 17, 2024, and (iv) the Borrowers and their subsidiaries were provided with additional flexibility under certain negative covenants, including incurrence of indebtedness, making of investments, dispositions and restricted payments, and prepayment of subordinated indebtedness. Except as described herein, the Second Amendment did not materially change the terms of the Credit Facilities.

In connection with the Second Amendment, we capitalized approximately \$11.3 million in debt issuance costs and recorded a loss on early extinguishment of debt of \$20.4 million during the nine months ended September 30, 2017. The loss on early extinguishment of debt primarily reflects the write-off of unamortized debt issuance costs and discounts.

### Incremental Term Loans

In connection with the Popeyes Acquisition, we obtained an incremental term loan in the aggregate principal amount of \$1,300.0 million (the “Incremental Term Loan No. 1”) under our Term Loan Facility. Also, simultaneously and in connection with the issuance of the 2017 4.25% Senior Notes (described below), we obtained an additional incremental term loan in the aggregate principal amount of \$250.0 million (the “Incremental Term Loan No. 2” and together with the Incremental Term Loan No. 1, the “Incremental Term Loans”) under our Term Loan Facility. The Incremental Term Loans bear interest at the same rate as the Term Loan Facility and also mature on February 17, 2024. In connection with the Incremental Term Loan No. 1, Popeyes was included as loan guarantor and its assets as collateral under the Credit Facilities. Except as described herein, there were no other material changes to the terms of the Credit Facilities. Debt issuance costs capitalized in connection with the Incremental Term Loans were approximately \$23.0 million.

### Revolving Credit Facility

As of September 30, 2017, we had no amounts outstanding under our Revolving Credit Facility. Funds available under the Revolving Credit Facility may be used to repay other debt, finance debt or share repurchases, to fund acquisitions or capital expenditures and for other general corporate purposes. We have a \$125.0 million letter of credit sublimit as part of the Revolving Credit Facility, which reduces our borrowing availability thereunder by the cumulative amount of outstanding letters of credit. As of September 30, 2017, we had \$1.6 million of letters of credit issued against the Revolving Credit Facility, and our borrowing availability was \$498.4 million.

### 2017 4.25% Senior Notes

On May 17, 2017, the Borrowers entered into an indenture (the “2017 4.25% Senior Notes Indenture”) in connection with the issuance of \$1,500.0 million of 4.25% first lien senior notes due May 15, 2024 (the “2017 4.25% Senior Notes”). No principal payments are due until maturity and interest is paid semi-annually. We expect to use the net proceeds from the offering of the 2017 4.25% Senior Notes, together with other sources of liquidity, to redeem all or a portion of the outstanding Class A 9.0% cumulative compounding perpetual voting preferred shares and for other general corporate purposes. In connection with the issuance of the 2017 4.25% Senior Notes, we capitalized approximately \$12.6 million in debt issuance costs.

Obligations under the 2017 4.25% Senior Notes are guaranteed on a senior secured basis, jointly and severally, by the Borrowers and substantially all of the Borrowers' Canadian and U.S. subsidiaries, including The TDL Group Corp., Burger King Worldwide, Inc., Popeyes Louisiana Kitchen, Inc. and substantially all of their respective Canadian and U.S. subsidiaries (the “Note Guarantors”). The 2017 4.25% Senior Notes are first lien senior secured obligations and rank equal in right of payment with all of the existing and future senior debt of the Borrowers and Note Guarantors,



including borrowings and guarantees of the Credit Facilities.

Our 2017 4.25% Senior Notes may be redeemed in whole or in part, on or after May 15, 2020 at the redemption prices set forth in the 2017 4.25% Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 2017 4.25% Senior Notes Indenture also contains optional redemption provisions related to tender offers, change of control and equity offerings, among others.

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## 2017 5.00% Senior Notes

On August 28, 2017, the Borrowers entered into an indenture (the "2017 5.00% Senior Notes Indenture") in connection with the issuance of \$1,300.0 million of 5.00% second lien senior notes due October 15, 2025 (the "2017 5.00% Senior Notes"). No principal payments are due until maturity and interest is paid semi-annually. The net proceeds from the offering of the 2017 5.00% Senior Notes were used to redeem \$1,250.0 million of the 2014 6.00% Senior Notes and pay related redemption premiums. In connection with the issuance of the 2017 5.00% Senior Notes, we capitalized approximately \$10.1 million in debt issuance costs. In connection with the redemption of the 2014 6.00% Senior Notes, we recorded a loss on early extinguishment of debt of \$58.2 million that primarily reflects the payment of premiums to redeem the notes and the write-off of unamortized debt issuance costs.

Obligations under the 2017 5.00% Senior Notes are guaranteed on a second priority senior secured basis, jointly and severally, by the Note Guarantors. The 2017 5.00% Senior Notes are second lien senior secured obligations and rank equal in right of payment with all of the existing and future senior debt of the Borrowers and Note Guarantors, including borrowings and guarantees of the Credit Facilities.

Our 2017 5.00% Senior Notes may be redeemed in whole or in part, on or after October 15, 2020 at the redemption prices set forth in the 2017 5.00% Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 2017 5.00% Senior Notes Indenture also contains optional redemption provisions related to tender offers, change of control and equity offerings, among others.

## Fair Value Measurement

The fair value of our variable rate term debt and senior notes is estimated using inputs based on bid and offer prices that are Level 2 inputs and was \$11.6 billion and \$8.8 billion at September 30, 2017 and December 31, 2016, respectively, compared to a principal carrying amount of \$11.5 billion and \$8.6 billion, respectively on the same dates.

## Interest Expense, net

Interest expense, net consists of the following (in millions):

|   | Three Months Ended |         | Nine Months Ended |         |
|---|--------------------|---------|-------------------|---------|
|   | September 30,      |         | September 30,     |         |
|   | 2017               | 2016    | 2017              | 2016    |
| Debt  | \$131.2            | \$103.6 | \$350.1           | \$308.3 |
| Capital lease obligations   | 5.4                | 5.2     | 15.4              | 15.0    |
| Amortization of deferred financing costs and debt issuance discount | 8.5                | 9.8     | 25.2              | 29.1    |
| Interest income   | (9.1 )             | (1.3 )  | (15.3 )           | (2.8 )  |
| Interest expense, net   | \$136.0            | \$117.3 | \$375.4           | \$349.6 |

## Other

On March 27, 2017, we repaid \$155.5 million of debt assumed in connection with the Popeyes Acquisition.

## Note 10. Income Taxes

Our effective tax rate was 13.4% and 15.3% for the three and nine months ended September 30, 2017, respectively. The effective tax rate during this period was primarily a result of the mix of income from multiple tax jurisdictions, the impact of our financing structure, excess tax benefits from share-based compensation as a result of the required adoption of a new share-based compensation accounting standard, net audit-related reserve releases and non-deductible transaction costs.

Our effective tax rate was 21.3% and 20.7% for the three and nine months ended September 30, 2016, respectively. The effective tax rate during this period was primarily a result of the mix of income from multiple tax jurisdictions and the impact of our financing structure.



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## Note 11. Shareholders' Equity

## Noncontrolling Interests

The holders of Partnership exchangeable units held an economic interest of approximately 48.9% and 49.2% in Partnership common equity through the ownership of 226,839,418 and 226,995,404 Partnership exchangeable units as of September 30, 2017 and December 31, 2016, respectively.

During the nine months ended September 30, 2017, Partnership exchanged 155,986 Partnership exchangeable units, pursuant to exchange notices received. In accordance with the terms of the partnership agreement, Partnership satisfied the exchange notices by exchanging these Partnership exchangeable units for the same number of newly issued RBI common shares. The exchanges represented increases in our ownership interest in Partnership and were accounted for as equity transactions, with no gain or loss recorded in the accompanying condensed consolidated statement of operations. Pursuant to the terms of the partnership agreement, upon the exchange of Partnership exchangeable units, each such Partnership exchangeable unit was cancelled concurrently with the exchange.

## Accumulated Other Comprehensive Income (Loss)

The following table displays the changes in the components of accumulated other comprehensive income (loss) ("AOCI") (in millions):

|   | Derivatives | Pensions  | Foreign<br>Currency<br>Translation | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|---|-------------|-----------|------------------------------------|--|
| Balances at December 31, 2016                                       | \$ 274.9    | \$(16.7 ) | \$(956.5 )                         | \$(698.3 )   |
| Foreign currency translation adjustment                             | —           | —         | 884.2                              | 884.2  |
| Net change in fair value of derivatives, net of tax                 | (365.5 )    | —         | —                                  | (365.5 )   |
| Amounts reclassified to earnings of cash flow hedges, net of tax    | 17.9        | —         | —                                  | 17.9   |
| Pension and post-retirement benefit plans, net of tax               | —           | (0.1 )    | —                                  | (0.1 )   |
| Amortization of prior service (credits) costs, net of tax           | —           | (1.3 )    | —                                  | (1.3 )   |
| Amortization of actuarial (gains) losses, net of tax                | —           | 1.5       | —                                  | 1.5  |
| Other comprehensive income attributable to noncontrolling interests | 170.5       | (0.1 )    | (433.9 )                           | (263.5 )   |
| Balances at September 30, 2017                                      | \$ 97.8     | \$(16.7 ) | \$(506.2 )                         | \$(425.1 )   |

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The following table displays the reclassifications out of AOCI (in millions):

|   | Affected Line Item in the Statement of Operations | Amounts Reclassified from AOCI        |         |                                      |          |
|---|---|---------------------------------------|---------|--------------------------------------|----------|
|   |   | Three Months Ended September 30, 2017 |         | Nine Months Ended September 30, 2016 |          |
| Details about AOCI Components                 |   |                                       |         |                                      |          |
| Gains (losses) on cash flow hedges:           |   |                                       |         |                                      |          |
| Interest rate derivative contracts            | Interest expense, net                             | \$(8.2)                               | \$(5.9) | \$(23.1)                             | \$(15.3) |
| Forward-currency contracts                    | Cost of sales                                     | (1.2 )                                | (1.4 )  | (1.1 )                               | 1.1      |
|   | Total before tax                                  | (9.4 )                                | (7.3 )  | (24.2 )                              | (14.2 )  |
|   | Income tax (expense) benefit                      | 2.5                                   | 1.9     | 6.3                                  | 3.7      |
|   | Net of tax  | \$(6.9)                               | \$(5.4) | \$(17.9)                             | \$(10.5) |
| Defined benefit pension:                      |   |                                       |         |                                      |          |
| Amortization of prior service credits (costs) | SG&A (a)  | \$0.7                                 | \$0.7   | \$2.1                                | \$2.2    |
| Amortization of actuarial gains (losses)      | SG&A (a)  | (0.3 )                                | (0.1 )  | (0.8 )                               | (0.3 )   |
|   | Total before tax                                  | 0.4                                   | 0.6     | 1.3                                  | 1.9      |
|   | Income tax (expense) benefit                      | (0.2 )                                | (0.3 )  | (1.5 )                               | (0.8 )   |
|   | Net of tax  | \$0.2                                 | \$0.3   | \$(0.2 )                             | \$1.1    |
| Total reclassifications                       | Net of tax  | \$(6.7)                               | \$(5.1) | \$(18.1)                             | \$(9.4 ) |

(a) Refers to selling, general and administrative expenses in the condensed consolidated statements of operations.

#### Note 12. Redeemable Preferred Shares

We have 68,530,939 Class A 9.0% cumulative compounding perpetual voting preferred shares (the “Preferred Shares”) issued and outstanding. The 9.0% annual dividend accrues on the amount of \$43.775848 per Preferred Share, which was the per share purchase price, whether or not declared by our board of directors, and is payable quarterly in arrears, only when declared and approved by our board of directors. In the event of a liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, after satisfaction of all liabilities and obligations to our creditors, holders of the Preferred Shares shall be entitled to receive payment in full, in cash, equal to the redemption price (as defined below) per Preferred Share, plus accrued and unpaid dividends, including any additional dividends owing with respect to past-due dividends and any unpaid make-whole dividend (as defined below), before any distributions may be made to our common shareholders (the “Class A Liquidation Preference”). If the Class A Liquidation Preference has been paid in full on all Preferred Shares, the holders of our other shares shall be entitled to receive all of our remaining assets (or proceeds thereof) according to their respective rights and preferences.

In addition to the preferred dividends, we may be required to pay the holder of the Preferred Shares an additional amount (the “make-whole dividend”) determined by a formula designed to ensure that on an after-tax basis, the net amount of dividends received by the holder of the Preferred Shares from the original issue date is the same as it would have been if we were a U.S. corporation. The make-whole dividend can be paid, at our option, in cash, common shares, or any combination thereof. The make-whole dividend is payable not later than 75 days after the close of each fiscal year, beginning with the fiscal year ended December 31, 2017. The right to receive the make-whole dividend will terminate if and at the time that 100% of the outstanding Preferred Shares are no longer held by the original purchaser or any of its subsidiaries.

The Preferred Shares may be redeemed at our option on and after December 12, 2017. After December 12, 2024, holders of not less than a majority of the outstanding Preferred Shares may cause us to redeem their Preferred Shares. In either case, the redemption price is \$48.109657 per Preferred Share plus accrued and unpaid dividends, plus or

minus any unpaid make-whole dividend and any additional dividends (the “redemption price”). The redemption price may be reduced if the make-whole dividend formula described above indicates the after-tax net dividends paid to the holder of the Preferred Shares from the original issue date through the redemption date will exceed the after-tax net dividends that would have been paid if we were a

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U.S. corporation. Holders of the Preferred Shares also hold a contingently exercisable option to cause us to redeem their Preferred Shares at the redemption price in the event of a change of control.

Note 13. Derivative Instruments

Disclosures about Derivative Instruments and Hedging Activities

We enter into derivative instruments for risk management purposes, including derivatives designated as cash flow hedges, derivatives designated as net investment hedges and those utilized as economic hedges. We use derivatives to manage our exposure to fluctuations in interest rates and currency exchange rates.

Interest Rate Swaps

During 2015, we entered into a series of receive-variable, pay-fixed interest rate swaps with a notional value of \$2,500.0 million to hedge the variability in the interest payments on a portion of our Term Loan Facility beginning May 28, 2015, through the expiration of the final swap on March 31, 2021, resetting each March 31. At inception, these interest rate swaps were designated as cash flow hedges for hedge accounting, and as such, the effective portion of unrealized changes in market value is recorded in AOCI and reclassified into earnings during the period in which the hedged forecasted transaction affects earnings. Gains and losses from hedge ineffectiveness are recognized in current earnings.

During 2015, we settled certain interest rate swaps and recognized a net unrealized loss of \$84.6 million in AOCI at the date of settlement. This amount will be reclassified into interest expense, net as the original hedged forecasted transaction affects earnings. The amount of pre-tax losses in AOCI as of September 30, 2017 that we expect to be reclassified into interest expense within the next 12 months is \$12.4 million.

Cross-Currency Rate Swaps

To protect the value of our investments in our foreign operations against adverse changes in foreign currency exchange rates, we hedge a portion of our net investment in one or more of our foreign subsidiaries by using cross-currency rate swaps. At September 30, 2017, we had outstanding cross-currency rate swap contracts between the Canadian dollar and U.S. dollar and the Euro and U.S. dollar that have been designated as net investment hedges of a portion of our equity in foreign operations in those currencies. The component of the gains and losses on our net investment in these designated foreign operations driven by changes in foreign exchange rates are economically offset by movements in the fair value of our cross currency swap contracts. The fair value of the swaps is calculated each period with changes in fair value reported in AOCI, net of tax. Such amounts will remain in AOCI until the complete or substantially complete liquidation of our investment in the underlying foreign operations.

We terminated and settled our previous cross-currency rate swaps in June 2017, with an aggregate notional value of \$5,000.0 million, between the Canadian dollar and U.S. dollar. In connection with this termination, we received \$763.5 million which is reflected as a source of cash provided by investing activities in the condensed consolidated statement of cash flows. The unrealized gains totaled \$533.4 million, net of tax, as of the termination date and will remain in AOCI until the complete or substantially complete liquidation of our investment in the underlying foreign operations. Additionally, we entered into new fixed-to-fixed cross-currency rate swaps to partially hedge the net investment in our Canadian subsidiaries. At inception, these cross-currency rate swaps were designated as a hedge and are accounted for as net investment hedges. These swaps are contracts to exchange quarterly fixed-rate interest payments we make on the Canadian dollar notional amount of C\$6,753.5 million for quarterly fixed-rate interest payments we receive on the U.S. dollar notional amount of \$5,000.0 million through the maturity date of June 30, 2023. In making such changes, we effectively realigned our Canadian dollar hedges to reflect our current cash flow mix and capital structure maturity profile.

At September 30, 2017, we also had outstanding a cross-currency rate swap in which we pay quarterly fixed-rate interest payments on the Euro notional value of €1,107.8 million and receive quarterly fixed-rate interest payments on the U.S. dollar notional value of \$1,200.0 million through the maturity date of March 31, 2021. At inception, this cross-currency rate swap was designated as a hedge and is accounted for as a net investment hedge.





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## Foreign Currency Exchange Contracts

We use foreign exchange derivative instruments to manage the impact of foreign exchange fluctuations on U.S. dollar purchases and payments, such as coffee purchases made by our Canadian Tim Hortons operations. At September 30, 2017, we had outstanding forward currency contracts to manage this risk in which we sell Canadian dollars and buy U.S. dollars with a notional value of \$170.0 million with maturities to December 2018. We have designated these instruments as cash flow hedges, and as such, the effective portion of unrealized changes in market value are recorded in AOCI and are reclassified into earnings during the period in which the hedged forecasted transaction affects earnings. Gains and losses from hedge ineffectiveness are recognized in current earnings.

## Credit Risk

By entering into derivative contracts, we are exposed to counterparty credit risk. Counterparty credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is in an asset position, the counterparty has a liability to us, which creates credit risk for us. We attempt to minimize this risk by selecting counterparties with investment grade credit ratings and regularly monitoring our market position with each counterparty.

## Credit-Risk Related Contingent Features

Our derivative instruments do not contain any credit-risk related contingent features.

## Quantitative Disclosures about Derivative Instruments and Fair Value Measurements

The following tables present the required quantitative disclosures for our derivative instruments, including their estimated fair values (all estimated using Level 2 inputs) and their location on our condensed consolidated balance sheets (in millions):

|   | Gain (Loss) Recognized in Other<br>Comprehensive Income (Loss)<br>(Effective Portion) |                       |   |                       |
|---|---|-----------------------|---|-----------------------|
|   | Three Months  |                       | Nine Months   |                       |
|   | Ended   | Ended                 | Ended   | Ended                 |
|   | September 30,<br>2017   | September 30,<br>2016 | September 30,<br>2017                               | September 30,<br>2016 |
| Derivatives designated as cash flow hedges                        |   |                       |   |                       |
| Forward-starting interest rate swaps                              | \$(0.1 )  | \$1.0                 | \$(20.5 )   | \$(71.6 )             |
| Forward-currency contracts  | \$(5.2 )  | \$2.1                 | \$(10.7 )   | \$(7.7 )              |
| Derivatives designated as net investment hedges                   |   |                       |   |                       |
| Cross-currency rate swaps   | \$(171.5)   | \$20.1                | \$(349.8)   | \$(199.6)             |
| Classification on Condensed Consolidated Statements of Operations |   |                       | Gain (Loss) Reclassified from AOCI<br>into Earnings |                       |
|   |   |                       | Three Months  | Nine Months           |
|   |   |                       | Ended   | Ended                 |
|   |   |                       | September 30,                                       | September 30,         |
|   |   |                       | 2017  | 2016                  |
| Interest expense, net   |   |                       | \$(8.2 )  | \$(5.9 )              |
| Cost of sales   |   |                       | \$(1.2 )  | \$(1.4 )              |
|   |   |                       | \$(23.1 )   | \$(15.3 )             |
|   |   |                       | \$(1.1 )  | \$1.1                 |

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|   | Fair Value as of         |                      | Balance Sheet Location           |
|---|--------------------------|----------------------|----------------------------------|
|   | September<br>30,<br>2017 | December<br>31, 2016 |                                  |
| Assets:   |                          |                      |                                  |
| Derivatives designated as cash flow hedges      |                          |                      |                                  |
| Foreign currency                                | \$0.4                    | \$ 2.8               | Prepays and other current assets |
| Derivatives designated as net investment hedges |                          |                      |                                  |
| Foreign currency                                | —                        | 717.9                | Derivative assets                |
| Total assets at fair value                      | \$0.4                    | \$ 720.7             |                                  |

## Liabilities:

|   |         |         |                           |
|---|---------|---------|---------------------------|
| Derivatives designated as cash flow hedges      |         |         |                           |
| Interest rate                                   | \$61.8  | \$ 55.1 | Other liabilities, net    |
| Foreign currency                                | 8.6     | 1.1     | Other accrued liabilities |
| Derivatives designated as net investment hedges |         |         |                           |
| Foreign currency                                | 417.4   | —       | Other liabilities, net    |
| Total liabilities at fair value                 | \$487.8 | \$ 56.2 |                           |

## Note 14. Franchise and Property Revenues

Franchise and property revenues consist of the following (in millions):

|                                  | Three Months<br>Ended<br>September 30,<br>2017 |         | Nine Months<br>Ended<br>September 30,<br>2016 |           |
|----------------------------------|--|---------|---|-----------|
| Franchise royalties              | \$332.8  | \$261.1 | \$883.5                                       | \$738.7   |
| Property revenues                | 204.1  | 194.6   | 568.4   | 563.9     |
| Franchise fees and other revenue | 40.1   | 33.6    | 105.9   | 96.3      |
| Franchise and property revenues  | \$577.0  | \$489.3 | \$1,557.8                                     | \$1,398.9 |

## Note 15. Other Operating Expenses (Income), net

Other operating expenses (income), net consist of the following (in millions):

|   | Three<br>Months<br>Ended<br>September<br>30,<br>2017 |       | Nine<br>Months<br>Ended<br>September<br>30,<br>2016 |        |
|---|--|-------|---|--------|
| Net losses (gains) on disposal of assets, restaurant closures, and refranchisings | \$3.4  | \$3.3 | \$14.9  | \$19.6 |
| Litigation settlements and reserves, net  | 0.6  | 0.4   | 1.7   | 2.0    |
| Net losses (gains) on foreign exchange  | 17.7   | 4.1   | 64.9  | 16.1   |
| Other, net  | (0.2)  | 0.9   | 0.6   | 0.5    |
| Other operating expenses (income), net  | \$21.5   | \$8.7 | \$82.1  | \$38.2 |

Net losses (gains) on disposal of assets, restaurant closures, and refranchisings represent sales of properties and other costs related to restaurant closures and refranchisings. Gains and losses recognized in the current period may reflect certain costs related to closures and refranchisings that occurred in previous periods.

Net losses (gains) on foreign exchange is primarily related to revaluation of foreign denominated assets and liabilities.



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## Note 16. Commitments and Contingencies

## Litigation

On June 19, 2017, a claim was filed in the Ontario Superior Court of Justice. The plaintiff, a franchisee of two Tim Hortons restaurants, seeks to certify a class of all persons who have carried on business as a Tim Hortons franchisee in Canada at any time after December 15, 2014. The claim alleges various causes of action against the defendants in relation to the purported misuse of amounts paid by members of the proposed class to the Tim Hortons Canada advertising fund (the “Ad Fund”). The plaintiff seeks to have the Ad Fund franchisee contributions held in trust for the benefit of members of the proposed class, an accounting of the Ad Fund, as well as damages for breach of contract, breach of trust, breach of the statutory duty of fair dealing, and breach of fiduciary duties. While we believe the claims are without merit and we intend to vigorously defend against this lawsuit, we are unable to predict the ultimate outcome of this case or estimate the range of possible loss, if any.

On October 6, 2017, a claim was filed in the Ontario Superior Court of Justice. The plaintiffs, two franchisees of Tim Hortons restaurants, seek to certify a class of all persons who have carried on business as a Tim Hortons franchisee at any time after March 8, 2017. The claim alleges various causes of action against the defendants in relation to the purported adverse treatment of member and potential member franchisees of the Great White North Franchisee Association. The plaintiffs seek damages for, among other things, breach of contract, breach of the statutory duty of fair dealing, and breach of the franchisees’ statutory right of association. While we believe the claims are without merit and we intend to vigorously defend against this lawsuit, we are unable to predict the ultimate outcome of this case or estimate the range of possible loss, if any.

## Note 17. Segment Reporting

As stated in Note 1, Description of Business and Organization, we manage three brands. Under the Tim Hortons brand, we operate in the donut/coffee/tea category of the quick service segment of the restaurant industry. Under the Burger King brand, we operate in the fast food hamburger restaurant category of the quick service segment of the restaurant industry. Under the Popeyes brand, we operate in the chicken category of the quick service segment of the restaurant industry. We generate revenue from four sources: (i) sales to franchisees related to our supply chain operations, including manufacturing, procurement, warehousing, and distribution, as well as sales to retailers; (ii) franchise revenues, consisting primarily of royalties based on a percentage of sales reported by franchise restaurants and franchise fees paid by franchisees; (iii) property revenues from properties we lease or sublease to franchisees; and (iv) sales at Company restaurants.

Each brand is managed by a brand president that reports directly to our Chief Executive Officer, who is our Chief Operating Decision Maker. Therefore, we have three operating segments: (1) TH, which includes all operations of our Tim Hortons brand, (2) BK, which includes all operations of our Burger King brand, and (3) PLK, which includes all operations of our Popeyes brand. Our three operating segments represent our reportable segments.

The following table presents revenues, by segment and by country (in millions):

|                                | Three Months<br>Ended<br>September 30,<br>2017 |           | Nine Months<br>Ended<br>September 30,<br>2016 |           |
|--------------------------------|--|-----------|---|-----------|
| Revenues by operating segment: |  |           |   |           |
| TH                             | \$827.0  | \$789.9   | \$2,332.9                                     | \$2,207.5 |
| BK                             | 313.6  | 285.8     | 874.3   | 826.9     |
| PLK                            | 68.0   | —         | 134.7   | —         |
| Total revenues                 | \$1,208.6                                      | \$1,075.7 | \$3,341.9                                     | \$3,034.4 |
| Revenues by country (a):       |  |           |   |           |
| Canada                         | \$748.7  | \$708.8   | \$2,093.6                                     | \$1,973.0 |
| United States                  | 310.5  | 249.2     | 856.1   | 725.0     |
| Other                          | 149.4  | 117.7     | 392.2   | 336.4     |
| Total revenues                 | \$1,208.6                                      | \$1,075.7 | \$3,341.9                                     | \$3,034.4 |

(a) Only Canada and the United States represented 10% or more of our total revenues in each period presented.

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Our measure of segment income is Adjusted EBITDA. Adjusted EBITDA represents earnings (net income or loss) before interest expense, net, (gain) loss on early extinguishment of debt, income tax expense, and depreciation and amortization, adjusted to exclude the non-cash impact of share-based compensation and non-cash incentive compensation expense and (income) loss from equity method investments, net of cash distributions received from equity method investments, as well as other operating expenses (income), net. Other specifically identified costs associated with non-recurring projects are also excluded from Adjusted EBITDA, including fees and expenses associated with the Popeyes Acquisition ("PLK Transaction costs"), and integration costs associated with the acquisition of Tim Hortons. Adjusted EBITDA is used by management to measure operating performance of the business, excluding these non-cash and other specifically identified items that management believes are not relevant to management's assessment of operating performance or the performance of an acquired business. A reconciliation of segment income to net income (loss) consists of the following (in millions).

|  | Three Months<br>Ended<br>September 30,<br>2017 |         | Nine Months<br>Ended<br>September 30,<br>2016 |         |
|--|--|---------|---|---------|
| Segment income:  |  |         |   |         |
| TH   | \$294.4  | \$287.1 | \$831.7                                       | \$793.9 |
| BK   | 233.9  | 201.8   | 637.8   | 581.9   |
| PLK  | 36.8   | —       | 70.0  | —       |
| Adjusted EBITDA  | 565.1  | 488.9   | 1,539.5                                       | 1,375.8 |
| Share-based compensation and non-cash incentive compensation expense | 12.5   | 11.8    | 42.9  | 31.0    |
| PLK Transaction costs  | 6.9  | —       | 49.8  | —       |
| Integration costs  | —  | 4.4     | —   | 10.4    |
| Impact of equity method investments (a)                              | (1.3 )   | 0.3     | (0.1 )  | (7.6 )  |
| Other operating expenses (income), net                               | 21.5   | 8.7     | 82.1  | 38.2    |
| EBITDA   | 525.5  | 463.7   | 1,364.8                                       | 1,303.8 |
| Depreciation and amortization  | 46.2   | 43.2    | 134.9   | 128.7   |
| Income from operations   | 479.3  | 420.5   | 1,229.9                                       | 1,175.1 |
| Interest expense, net  | 136.0  | 117.3   | 375.4   | 349.6   |
| Loss on early extinguishment of debt                                 | 58.2   | —       | 78.6  | —       |
| Income tax expense   | 38.3   | 64.6    | 119.0   | 171.0   |
| Net income   | \$246.8  | \$238.6 | \$656.9                                       | \$654.5 |

Represents (i) (income) loss from equity method investments and (ii) cash distributions received from our equity (a) method investments. Cash distributions received from our equity method investments are included in segment income.

## Note 18. Subsequent Events

## Redemption of Preferred Shares

On October 25, 2017, our board of directors approved the redemption of all of the Preferred Shares on December 12, 2017 (the "Redemption Date"). The redemption price is \$48.109657 per Preferred Share plus accrued and unpaid dividends up to the Redemption Date plus or minus any unpaid make-whole dividend and any additional dividends (the "redemption price"). The redemption price may be reduced if the make-whole dividend formula described above indicates the after-tax net dividends paid to the holder of the Preferred Shares from the original issue date through the redemption date will exceed the after-tax net dividends that would have been paid if we were a U.S. corporation. Upon redemption, the Preferred Shares will be deemed canceled, dividends will cease to accrue thereon and all rights of the holders will terminate, except the right to receive the cash payable upon such redemption.

## Exchange of Partnership exchangeable units

In October 2017 Partnership received an exchange notice representing 9,050,594 Partnership exchangeable units. In accordance with the terms of the partnership agreement, Partnership will satisfy the exchange notice by repurchasing

5,000,000 Partnership exchangeable units with cash on hand and exchanging 4,050,594 Partnership exchangeable units for the same number of newly issued RBI common shares. The exchange will represent an increase in our ownership interest in Partnership

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and will be accounted for as an equity transaction, with no gain or loss recorded in the condensed consolidated statement of operations. Pursuant to the terms of the partnership agreement, upon the exchange of Partnership exchangeable units, each such Partnership exchangeable unit is automatically deemed cancelled concurrently with such exchange. The exchange date will occur on November 8, 2017.

**Dividends**

On October 2, 2017, we paid a cash dividend of \$0.98 per Preferred Share, for a total dividend of \$67.5 million, to the holder of the Preferred Shares. The dividend on the Preferred Shares included the amount due for the third calendar quarter of 2017. On October 3, 2017, we paid a cash dividend of \$0.20 per common share to common shareholders of record on September 15, 2017. On such date, Partnership also made a distribution in respect of each Partnership exchangeable unit in the amount of \$0.20 per exchangeable unit to holders of record on September 15, 2017.

On October 25, 2017, our board of directors declared a cash dividend of \$0.98 per Preferred Share, for a total dividend of \$67.5 million payable on January 2, 2018 to the holder of record of the Preferred Shares on December 15, 2017. The dividend on the Preferred Shares includes the amount due for the fourth calendar quarter of 2017. However, as indicated above, if we redeem the Preferred Shares prior to December 15, 2017, the redemption price will include accrued and unpaid regular quarterly dividends to the Redemption Date and, in such event, no regular quarterly dividend will be paid on the Preferred Shares on January 2, 2018. On October 25, 2017, our board of directors declared a cash dividend of \$0.21 per common share, which will be paid on January 3, 2018, to common shareholders of record on December 15, 2017. Partnership will also make a distribution in respect of each Partnership exchangeable unit in the amount of \$0.21 per Partnership exchangeable unit, and the record date and payment date for distributions on Partnership exchangeable units are the same as the record date and payment date set forth above.

**Issuance and Redemption of Senior Notes**

On October 4, 2017, the Borrowers issued \$1,500.0 million of 5.00% second lien senior secured notes due October 15, 2025 (the "October 2017 Senior Notes"), which were issued as additional notes under the 2017 5.00% Senior Notes Indenture pursuant to which the Borrowers previously issued the 2017 5.00% Senior Notes. The October 2017 Senior Notes are treated as a single series with the 2017 5.00% Senior Notes and have substantially the same terms as those of the 2017 5.00% Senior Notes for all purposes under the 2017 5.00% Senior Notes Indenture, including waivers, amendments, redemptions and offers to purchase. The net proceeds from the offering of the October 2017 Senior Notes were used to redeem the remaining \$1,000.0 million principal amount outstanding of the 2014 6.00% Senior Notes on October 18, 2017, pay related redemption premiums, fees and expenses, and for general corporate purposes.

**Extension of Maturity Date of Senior Secured Revolving Credit Facility**

On October 13, 2017, the Borrowers extended the maturity date of the Revolving Credit Facility from December 12, 2019 to October 13, 2022. The extension was effected through the termination of the existing revolving credit commitments and the entry into Incremental Facility Amendment No. 3 (the "October 2017 Incremental Amendment") to the Credit Agreement. The October 2017 Incremental Amendment maintains the same \$500.0 million in aggregate principal amount of commitments under the Revolving Credit Facility. As amended, the Revolving Credit Facility matures on October 13, 2022, provided that if, on October 15, 2021, more than an aggregate of \$150.0 million of the 2015 4.625% Senior Notes are outstanding, then the maturity date of the Revolving Credit Facility shall be October 15, 2021. All other material terms of the Revolving Credit Facility remained the same.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion together with our unaudited condensed consolidated financial statements and the related notes thereto included in Part I, Item 1 “Financial Statements” of this report.

The following discussion includes information regarding future financial performance and plans, targets, aspirations, expectations, and objectives of management, which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of Canadian securities laws as described in further detail under “Special Note Regarding Forward-Looking Statements” set forth below. Actual results may differ materially from the results discussed in the forward-looking statements. Please refer to the risks and further discussion in the “Special Note Regarding Forward-Looking Statements” below.

We prepare our financial statements in accordance with accounting principles generally accepted in the United States (“U.S. GAAP” or “GAAP”). However, this Management’s Discussion and Analysis of Financial Condition and Results of Operations also contains certain non-GAAP financial measures to assist readers in understanding our performance. Non-GAAP financial measures either exclude or include amounts that are not reflected in the most directly comparable measure calculated and presented in accordance with GAAP. Where non-GAAP financial measures are used, we have provided the most directly comparable measures calculated and presented in accordance with U.S. GAAP, a reconciliation to GAAP measures and a discussion of the reasons why management believes this information is useful to it and may be useful to investors.

Operating results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for the fiscal year and our key business measures, as discussed below, may decrease for any future period. Unless the context otherwise requires, all references in this section to “RBI,” “the Company,” “we,” “us,” or “our” are to the Company and its subsidiaries, collectively.

Overview

We are a Canadian corporation originally formed on August 25, 2014 to serve as the indirect holding company for Tim Hortons and its consolidated subsidiaries and Burger King Worldwide and its consolidated subsidiaries. On March 27, 2017, we acquired Popeyes Louisiana Kitchen, Inc. and its consolidated subsidiaries (“Popeyes”). We are one of the world’s largest quick service restaurant (“QSR”) companies with more than \$29 billion in system-wide sales and over 23,000 restaurants in more than 100 countries and U.S. territories as of September 30, 2017. Our Tim Hortons®, Burger King®, and Popeyes® brands have similar franchised business models with complementary daypart mixes and product platforms. Our three iconic brands are managed independently while benefiting from global scale and sharing of best practices.

Tim Hortons restaurants are quick service restaurants with a menu that includes premium blend coffee, tea, espresso-based hot and cold specialty drinks, fresh baked goods, including donuts, Timbits®, bagels, muffins, cookies and pastries, grilled paninis, classic sandwiches, wraps, soups, and more. Burger King restaurants are quick service restaurants that feature flame-grilled hamburgers, chicken and other specialty sandwiches, french fries, soft drinks, and other affordably-priced food items. Popeyes restaurants are chicken quick service restaurants featuring a unique “Louisiana” style menu that includes spicy chicken, chicken tenders, fried shrimp and other seafood, red beans and rice, and other regional items.

We have three operating and reportable segments: (1) Tim Hortons (“TH”); (2) Burger King (“BK”); and (3) Popeyes Louisiana Kitchen (“PLK”). We generate revenue from four sources: (i) sales to franchisees related to our supply chain operations, including manufacturing, procurement, warehousing, and distribution, as well as sales to retailers; (ii) franchise revenues, consisting primarily of royalties based on a percentage of sales reported by franchise restaurants and franchise fees paid by franchisees; (iii) property revenues from properties we lease or sublease to franchisees; and (iv) sales at restaurants owned by us (“Company restaurants”).

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Operating Metrics and Key Financial Measures

We evaluate our restaurants and assess our business based on the following operating metrics and key financial measures:

System-wide sales growth refers to the percentage change in sales at all franchise restaurants and Company restaurants in one period from the same period in the prior year.

System-wide sales represent sales at all franchise restaurants and Company restaurants. We do not record franchise sales as revenues; however, our franchise revenues include royalties based on a percentage of franchise sales.

System-wide results are driven by our franchise restaurants, as approximately 100% of current system-wide restaurants are franchised.

Comparable sales refers to the percentage change in restaurant sales in one period from the same prior year period for restaurants that have been open for thirteen months or longer for TH and BK and 65 weeks or longer for PLK.

Commencing in 2017, we are presenting net restaurant growth on a percentage basis, reflecting the net increase in restaurant count (openings, net of closures) over a trailing twelve month period, divided by the restaurant count at the beginning of the trailing twelve month period. This presentation has been applied retrospectively to the earliest period presented to provide period-to-period comparability. Previously, we presented net restaurant growth as the number of new restaurants opened, net of closures, during a stated period. We have disclosed restaurant count at period end which can be used to determine net restaurant growth as previously presented.

Adjusted EBITDA, a non-GAAP measure, which represents earnings (net income or loss) before interest expense, net, (gain) loss on early extinguishment of debt, income tax expense, depreciation and amortization, adjusted to exclude specifically identified items that management believes are not relevant to management's assessment of operating performance. See Non-GAAP Reconciliations.

System-wide sales growth and comparable sales are measured on a constant currency basis, which means the results exclude the effect of foreign currency translation ("FX Impact"). For system-wide sales growth and comparable sales, we calculate the FX Impact by translating prior year results at current year monthly average exchange rates. For items included in our results of operations, we calculate the FX Impact by translating current year results at prior year monthly average exchange rates. We analyze these operating metrics on a constant currency basis as this helps identify underlying business trends, without distortion from the effects of currency movements.

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## Recent Events and Factors Affecting Comparability

## Popeyes Acquisition

As described in Note 2 to the accompanying unaudited condensed consolidated financial statements, on March 27, 2017, we completed the acquisition of Popeyes for total consideration of \$1,654.7 million (the “Popeyes Acquisition”). The consideration was funded through (1) cash on hand of approximately \$354.7 million, and (2) \$1,300.0 million from incremental borrowings under our Term Loan Facility – see Note 9 to the accompanying unaudited condensed consolidated financial statements.

PLK revenues and segment income from March 28, 2017 through September 30, 2017 are included in our consolidated statement of operations for the nine months ended September 30, 2017. The changes in our results of operations for the three and nine months ended September 30, 2017 as compared to the three and nine months ended September 30, 2016 are partially driven by the inclusion of the results of operations of PLK. The PLK statement of operations data for the three and nine months ended September 30, 2017 is summarized as follows:

| PLK Segment<br>(in millions of<br>U.S. dollars)               | Three months<br>ended September<br>30, 2017 | Nine months ended<br>September 30,<br>2017 |
|---|---|--|
| Revenues:   |   |  |
| Sales   | \$ 22.7                                     | \$ 45.7                                    |
| Franchise and<br>property<br>revenues                         | 45.3  | 89.0                                       |
| Total revenues  | 68.0  | 134.7                                      |
| Cost of sales   | 17.8  | 37.0                                       |
| Franchise and<br>property<br>expenses                         | 2.2   | 4.5  |
| Segment<br>SG&A   | 12.8  | 27.2                                       |
| Segment<br>depreciation<br>and<br>amortization <sup>(a)</sup> | 1.6   | 4.0  |
| Segment<br>income   | 36.8  | 70.0                                       |

<sup>(a)</sup> Segment depreciation and amortization consists of depreciation and amortization included in cost of sales and franchise and property expenses.

## PLK Transaction Costs

In connection with the Popeyes Acquisition, we incurred certain non-recurring fees and expenses (“PLK Transaction costs”) totaling \$6.9 million and \$49.8 million during the three and nine months ended September 30, 2017, respectively, consisting primarily of professional fees and compensation related expenses, all of which are classified as selling, general and administrative expenses in the condensed consolidated statement of operations. We expect to incur additional PLK Transaction costs through 2018 as we integrate the operations of PLK.

## Integration Costs

In connection with the implementation of initiatives to integrate the back-office processes of TH and BK to enhance efficiencies, we incurred \$4.4 million and \$10.4 million related to these initiatives during the three and nine months ended September 30, 2016, primarily consisting of professional fees.



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## Results of Operations for the Three and Nine Months Ended September 30, 2017 and 2016

Tabular amounts in millions of U.S. dollars unless noted otherwise.

| Consolidated                                 | Three Months Ended September 30, |         | Variance | FX Impact | Variance Excluding FX Impact | Nine Months Ended September 30, |           | Variance | FX Impact | Variance Excluding FX Impact |
|--|----------------------------------|---------|----------|-----------|------------------------------|---------------------------------|-----------|----------|-----------|------------------------------|
|  | 2017                             | 2016    |          |           |                              | 2017                            | 2016      |          |           |                              |
| Revenues:                                    |                                  |         |          |           |                              |                                 |           |          |           |                              |
| Sales  | \$631.6                          | \$586.4 | \$45.2   | \$20.6    | \$24.6                       | \$1,784.1                       | \$1,635.5 | \$148.6  | \$15.6    | \$133.0                      |
| Franchise and property revenues              | 577.0                            | 489.3   | 87.7     | 9.8       | 77.9                         | 1,557.8                         | 1,398.9   | 158.9    | 3.7       | 155.2                        |
| Total revenues                               | 1,208.6                          | 1,075.7 | 132.9    | 30.4      | 102.5                        | 3,341.9                         | 3,034.4   | 307.5    | 19.3      | 288.2                        |
| Operating costs and expenses:                |                                  |         |          |           |                              |                                 |           |          |           |                              |
| Cost of sales                                | 493.3                            | 457.1   | (36.2)   | (16.0)    | (20.2)                       | 1,376.9                         | 1,285.7   | (91.2)   | (12.4)    | (78.8)                       |
| Franchise and property expenses              | 118.5                            | 109.8   | (8.7)    | (3.2)     | (5.5)                        | 343.2                           | 323.5     | (19.7)   | (1.9)     | (17.8)                       |
| Selling, general and administrative expenses | 100.1                            | 82.2    | (17.9)   | (2.1)     | (15.8)                       | 318.7                           | 228.5     | (90.2)   | (1.4)     | (88.8)                       |
| (Income) loss from equity method investments | (4.1)                            | (2.6)   | 1.5      | —         | 1.5                          | (8.9)                           | (16.6)    | (7.7)    | (0.1)     | (7.6)                        |
| Other operating expenses (income), net       | 21.5                             | 8.7     | (12.8)   | (0.6)     | (12.2)                       | 82.1                            | 38.2      | (43.9)   | 0.6       | (44.5)                       |
| Total operating costs and expenses           | 729.3                            | 655.2   | (74.1)   | (21.9)    | (52.2)                       | 2,112.0                         | 1,859.3   | (252.7)  | (15.2)    | (237.5)                      |
| Income from operations                       | 479.3                            | 420.5   | 58.8     | 8.5       | 50.3                         | 1,229.9                         | 1,175.1   | 54.8     | 4.1       | 50.7                         |
| Interest expense, net                        | 136.0                            | 117.3   | (18.7)   | 0.1       | (18.8)                       | 375.4                           | 349.6     | (25.8)   | (0.1)     | (25.7)                       |
| Loss on early extinguishment of debt         | 58.2                             | —       | (58.2)   | —         | (58.2)                       | 78.6                            | —         | (78.6)   | —         | (78.6)                       |
| Income before income taxes                   | 285.1                            | 303.2   | (18.1)   | 8.6       | (26.7)                       | 775.9                           | 825.5     | (49.6)   | 4.0       | (53.6)                       |
| Income tax expense                           | 38.3                             | 64.6    | 26.3     | 1.5       | 24.8                         | 119.0                           | 171.0     | 52.0     | 0.2       | 51.8                         |
| Net income                                   | \$246.8                          | \$238.6 | \$8.2    | \$10.1    | \$(1.9)                      | \$656.9                         | \$654.5   | \$2.4    | \$4.2     | \$(1.8)                      |
| TH Segment                                   |                                  |         |          |           |                              |                                 |           |          |           |                              |
| Revenues:                                    |                                  |         |          |           |                              |                                 |           |          |           |                              |
| Sales  | \$585.5                          | \$563.0 | \$22.5   | \$20.4    | \$2.1                        | \$1,666.8                       | \$1,565.8 | \$101.0  | \$14.7    | \$86.3                       |
| Franchise and property revenues              | 241.5                            | 226.9   | 14.6     | 8.5       | 6.1                          | 666.1                           | 641.7     | 24.4     | 6.6       | 17.8                         |
| Total revenues                               | 827.0                            | 789.9   | 37.1     | 28.9      | 8.2                          | 2,332.9                         | 2,207.5   | 125.4    | 21.3      | 104.1                        |

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|  |       |       |         |         |        |         |         |         |         |         |
|--|-------|-------|---------|---------|--------|---------|---------|---------|---------|---------|
| Cost of sales  | 454.2 | 436.7 | (17.5 ) | (15.9 ) | (1.6 ) | 1,273.8 | 1,226.4 | (47.4 ) | (11.7 ) | (35.7 ) |
| Franchise and property expenses                      | 83.2  | 77.7  | (5.5 )  | (3.0 )  | (2.5 ) | 240.7   | 224.8   | (15.9 ) | (2.5 )  | (13.4 ) |
| Segment SG&A   | 24.1  | 17.0  | (7.1 )  | (0.5 )  | (6.6 ) | 71.4    | 48.3    | (23.1 ) | (0.4 )  | (22.7 ) |
| Segment depreciation and amortization <sup>(a)</sup> | 26.1  | 25.7  | (0.4 )  | (0.8 )  | 0.4    | 75.9    | 76.9    | 1.0     | (0.7 )  | 1.7     |
| Segment income <sup>(b)</sup>                        | 294.4 | 287.1 | 7.3     | 10.5    | (3.2 ) | 831.7   | 793.9   | 37.8    | 7.6     | 30.2    |

| BK Segment   | Three Months Ended September 30, |        | Variance | FX Impact | Variance Excluding FX Impact | Nine Months Ended September 30, |        | Variance | FX Impact | Variance Excluding FX Impact |
|--|----------------------------------|--------|----------|-----------|------------------------------|---------------------------------|--------|----------|-----------|------------------------------|
|  | 2017                             | 2016   |          |           |                              | 2017                            | 2016   |          |           |                              |
| Revenues:  |                                  |        |          |           |                              |                                 |        |          |           |                              |
| Sales  | \$23.4                           | \$23.4 | \$—      | \$0.2     | \$ (0.2 )                    | \$71.6                          | \$69.7 | \$1.9    | \$0.9     | \$1.0                        |
| Franchise and property revenues                      | 290.2                            | 262.4  | 27.8     | 1.3       | 26.5                         | 802.7                           | 757.2  | 45.5     | (2.9 )    | 48.4                         |
| Total revenues                                       | 313.6                            | 285.8  | 27.8     | 1.5       | 26.3                         | 874.3                           | 826.9  | 47.4     | (2.0 )    | 49.4                         |
| Cost of sales  | 21.3                             | 20.4   | (0.9 )   | (0.1 )    | (0.8 )                       | 66.1                            | 59.3   | (6.8 )   | (0.7 )    | (6.1 )                       |
| Franchise and property expenses                      | 33.1                             | 32.1   | (1.0 )   | (0.2 )    | (0.8 )                       | 98.0                            | 98.7   | 0.7      | 0.6       | 0.1                          |
| Segment SG&A   | 38.0                             | 43.5   | 5.5      | (0.5 )    | 6.0                          | 110.3                           | 122.9  | 12.6     | (0.1 )    | 12.7                         |
| Segment depreciation and amortization <sup>(a)</sup> | 12.7                             | 12.0   | (0.7 )   | (0.1 )    | (0.6 )                       | 37.9                            | 35.9   | (2.0 )   | —         | (2.0 )                       |
| Segment income                                       | 233.9                            | 201.8  | 32.1     | 0.8       | 31.3                         | 637.8                           | 581.9  | 55.9     | (2.2 )    | 58.1                         |

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TH segment income includes \$2.8 million and \$2.9 million of cash distributions received from equity method investments for the three months ended September 30, 2017 and 2016, respectively. TH segment income includes (b) \$8.8 million and \$9.0 million of cash distributions received from equity method investments for the nine months ended September 30, 2017 and 2016, respectively.

| Key Business Metrics                       | Three Months Ended |           | Nine Months Ended |            |   |
|--|--------------------|-----------|-------------------|------------|---|
|  | September 30,      |           | September 30,     |            |   |
|  | 2017               | 2016      | 2017              | 2016       |   |
| Comparable sales                           |                    |           |                   |            |   |
| TH   | 0.3                | % 2.0     | % (0.2            | )% 3.3     | % |
| BK   | 3.6                | % 1.7     | % 2.6             | % 2.2      | % |
| PLK (c)                                    | (1.8               | )% 1.8    | % (1.5            | )% 1.4     | % |
| System-wide sales growth                   |                    |           |                   |            |   |
| TH   | 3.0                | % 4.8     | % 3.0             | % 6.1      | % |
| BK   | 11.2               | % 7.0     | % 9.4             | % 7.5      | % |
| PLK (c)                                    | 4.5                | % 8.3     | % 4.6             | % 7.0      | % |
| System-wide sales                          |                    |           |                   |            |   |
| TH   | \$1,812.3          | \$1,690.4 | \$4,971.8         | \$4,783.0  |   |
| BK   | \$5,335.0          | \$4,776.7 | \$14,773.1        | \$13,557.6 |   |
| PLK (c)                                    | \$897.3            | \$781.6   | \$2,623.5         | \$2,519.0  |   |
| As of                                      |                    |           |                   |            |   |
| September 30, 2017      September 30, 2016 |                    |           |                   |            |   |
| Net restaurant growth                      |                    |           |                   |            |   |
| TH   |                    |           | 4.2               | % 3.4      | % |
| BK   |                    |           | 6.6               | % 3.9      | % |
| PLK (d)                                    |                    |           | 5.9               | % 5.9      | % |
| Restaurant count                           |                    |           |                   |            |   |
| TH   |                    |           | 4,680             | 4,492      |   |
| BK   |                    |           | 16,253            | 15,243     |   |
| PLK (d)                                    |                    |           | 2,809             | 2,653      |   |

For the nine months ended September 30, 2017, PLK comparable sales, system-wide sales growth and system-wide sales are for the period from December 26, 2016 through September 30, 2017 and are calculated using the same (c) period in the prior year (December 26, 2015 through September 30, 2016). For 2016, PLK figures are shown for information purposes only and are consistent with PLK's former fiscal calendar. Consequently, results for 2017 may not be comparable to those of 2016.

For 2017, net restaurant growth is for the period from October 3, 2016 through September 30, 2017 and from (d) October 5, 2015 through October 2, 2016 for the comparative period. Restaurant count is as of September 30, 2017 for the current period, and as of October 2, 2016 for the comparative period, inclusive of temporary closures.

**Comparable Sales**

TH comparable sales of 0.3% for the three months ended September 30, 2017 was primarily driven by Canada comparable sales of 0.6%. TH comparable sales of (0.2)% during the nine months ended September 30, 2017 was primarily driven by flat Canada comparable sales.

BK comparable sales of 3.6% and 2.6% during the three and nine months ended September 30, 2017, respectively, was primarily driven by U.S. comparable sales of 4.0% and 1.7% during such periods.

PLK comparable sales of (1.8)% and (1.5)% during the three and nine months ended September 30, 2017, respectively, was primarily driven by U.S. comparable sales of (2.6)% and (2.1)% during such periods.





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### Sales and Cost of Sales

Sales include supply chain sales and sales from Company restaurants. Supply chain sales represent sales of products, supplies and restaurant equipment, other than equipment sales related to initial restaurant establishment or renovations, which are shipped directly from our warehouses or by third-party distributors to restaurants or retailers, as well as sales to retailers. Sales from Company restaurants, including sales by our consolidated TH Restaurant VIEs, represent restaurant-level sales to our guests.

Cost of sales includes costs associated with the management of our supply chain, including cost of goods, direct labor and depreciation, as well as the cost of goods delivered by third-party distributors to the restaurants for which we manage the supply chain logistics, and for products sold through retailers. Cost of sales also includes food, paper and labor costs of Company restaurants, which includes costs incurred by our consolidated TH Restaurant VIEs (see Note 3 to the accompanying unaudited condensed consolidated financial statements for additional information on Restaurant VIEs).

During the three months ended September 30, 2017, the increase in sales was driven by the inclusion of \$22.7 million from our PLK segment, a \$2.1 million increase in our TH segment, and a favorable FX Impact of \$20.6 million, partially offset by a decrease of \$0.2 million in our BK segment. The increase in our TH segment was driven by an \$18.8 million increase in supply chain sales primarily reflecting growth in system wide sales, partially offset by a \$16.7 million decrease in our TH Company restaurant revenue, primarily from the conversion of Restaurant VIEs to franchise restaurants.

During the nine months ended September 30, 2017, the increase in sales was driven by an \$86.3 million increase in our TH segment, the inclusion of \$45.7 million from our PLK segment, an increase of \$1.0 million in our BK segment, and a \$15.6 million favorable FX Impact. The increase in our TH segment was driven by a \$127.2 million increase in supply chain sales primarily reflecting growth in system wide sales and the launch of our espresso-based beverage platform, partially offset by a \$40.9 million decrease in our TH Company restaurant revenue, primarily from the conversion of Restaurant VIEs to franchise restaurants.

During the three months ended September 30, 2017, the increase in cost of sales was driven primarily by the inclusion of \$17.8 million from our PLK segment, a \$1.6 million increase in our TH segment, a \$0.8 million increase in our BK segment, and a \$16.0 million unfavorable FX Impact. The increase in our TH segment was primarily due to a \$14.1 million increase in supply chain cost of sales driven by the increase in supply chain sales described above. This factor was partially offset by a \$12.5 million decrease in Company restaurant cost of sales, primarily from the conversion of Restaurant VIEs to franchise restaurants.

During the nine months ended September 30, 2017, the increase in cost of sales was driven primarily by the inclusion of \$37.0 million from our PLK segment, a \$35.7 million increase in our TH segment, a \$6.1 million increase in our BK segment, and a \$12.4 million unfavorable FX Impact. The increase in our TH segment was primarily due to a \$71.0 million increase in supply chain cost of sales driven by the increase in supply chain sales described above, net of supply chain cost savings derived from effective cost management. This factor was partially offset by a \$35.3 million decrease in Company restaurant cost of sales, primarily from the conversion of Restaurant VIEs to franchise restaurants.

### Franchise and Property

Franchise and property revenues consist primarily of royalties earned on franchise sales, rents from real estate leased or subleased to franchisees, franchise fees, revenues derived from equipment packages at establishment of a restaurant and in connection with renewal or renovation, and other revenue. Franchise and property expenses consist primarily of depreciation of properties leased to franchisees, rental expense associated with properties subleased to franchisees, costs of equipment packages sold at establishment of a restaurant and in connection with renewal or renovation, amortization of franchise agreements, and bad debt expense (recoveries).

During the three months ended September 30, 2017, the increase in franchise and property revenues was driven by the inclusion of \$45.3 million from our PLK segment, a \$26.5 million increase in our BK segment, a \$6.1 million increase in our TH segment, and a \$9.8 million favorable FX Impact. The increase in our BK and TH segments was primarily due to an increase in royalties, driven by system-wide sales growth.

During the nine months ended September 30, 2017, the increase in franchise and property revenues was driven by the inclusion of \$89.0 million from our PLK segment, a \$48.4 million increase in our BK segment, a \$17.8 million increase in our TH segment, and a \$3.7 million favorable FX Impact. The increase in our BK and TH segments was primarily due to an increase in royalties, driven by system-wide sales growth.

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During the three months ended September 30, 2017, the increase in franchise and property expenses was driven by a \$2.5 million increase in our TH segment, the inclusion of \$2.2 million from our PLK segment, a \$0.8 million increase in our BK segment, and a \$3.2 million unfavorable FX Impact.

During the nine months ended September 30, 2017, the increase in franchise and property expenses was driven by a \$13.4 million increase in our TH segment, the inclusion of \$4.5 million from our PLK segment, and a \$1.9 million unfavorable FX Impact, partially offset by a \$0.1 million decrease in our BK segment.

**Selling, General and Administrative Expenses**

Our selling, general and administrative expenses were comprised of the following:

|  | Three Months Ended |        | Variance                  |         | Nine Months Ended |         | Variance                  |         |
|--|--------------------|--------|---------------------------|---------|-------------------|---------|---------------------------|---------|
|  | September 30,      |        | \$                        | %       | September 30,     |         | \$                        | %       |
|  | 2017               | 2016   | Favorable / (Unfavorable) |         | 2017              | 2016    | Favorable / (Unfavorable) |         |
| Segment SG&A:  |                    |        |                           |         |                   |         |                           |         |
| TH   | \$24.1             | \$17.0 | \$(7.1)                   | (41.8)% | \$71.4            | \$48.3  | \$(23.1)                  | (47.8)% |
| BK   | 38.0               | 43.5   | 5.5                       | 12.6 %  | 110.3             | 122.9   | 12.6                      | 10.3 %  |
| PLK  | 12.8               | —      | (12.8)                    | NM      | 27.2              | —       | (27.2)                    | NM      |
| Share-based compensation and non-cash incentive compensation expense | 12.5               | 11.8   | (0.7)                     | (5.9)%  | 42.9              | 31.0    | (11.9)                    | (38.4)% |
| Depreciation and amortization  | 5.8                | 5.5    | (0.3)                     | (5.5)%  | 17.1              | 15.9    | (1.2)                     | (7.5)%  |
| PLK Transaction costs  | 6.9                | —      | (6.9)                     | NM      | 49.8              | —       | (49.8)                    | NM      |
| Integration costs  | —                  | 4.4    | 4.4                       | NM      | —                 | 10.4    | 10.4                      | NM      |
| Selling, general and administrative expenses                         | \$100.1            | \$82.2 | \$(17.9)                  | (21.8)% | \$318.7           | \$228.5 | \$(90.2)                  | (39.5)% |

NM - not meaningful

Segment selling, general and administrative expenses (“Segment SG&A”) include segment selling expenses, which consist primarily of Company restaurant advertising fund contributions, and segment general and administrative expenses, which are comprised primarily of salary and employee-related costs for non-restaurant employees, professional fees, information technology systems, and general overhead for our corporate offices. Segment SG&A excludes share-based compensation and non-cash incentive compensation expense, depreciation and amortization, PLK Transaction costs and integration costs.

During the three and nine months ended September 30, 2017, TH Segment SG&A increased primarily due to an increase in salaries and benefits and an unfavorable FX Impact. During the same period, BK Segment SG&A decreased primarily due to a decrease in salaries and benefits, partially offset by an unfavorable FX Impact.

During the three months ended September 30, 2017, the increase in share-based compensation and non-cash incentive compensation expense was due primarily to additional equity awards granted.

During the nine months ended September 30, 2017, the increase in share-based compensation and non-cash incentive compensation expense was due primarily to an increase in equity award modifications, an increase related to the remeasurement of liability-classified and non-employee equity awards to fair value, and an increase due to additional equity awards granted.

During the three and nine months ended September 30, 2017, the increase in depreciation and amortization expense was primarily due to depreciation related to information technology capital expenditures during 2016.

**(Income) Loss from Equity Method Investments**

(Income) loss from equity method investments reflects our share of investee net income or loss, non-cash dilution gains or losses from changes in our ownership interests in equity method investees, and basis difference amortization.



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The change in (income) loss from equity method investments during the three months ended September 30, 2017 was primarily driven by improved results of our TH and BK equity method investments.

The change in (income) loss from equity method investments during the nine months ended September 30, 2017 was primarily driven by the prior year recognition of an \$11.6 million increase to the carrying value of our investment balance and a non-cash dilution gain included in (income) loss from equity method investments on the issuance of capital stock by one of our equity method investees, partially offset by improved results of our BK equity method investments in the current period.

Other Operating Expenses (Income), net

Our other operating expenses (income), net were comprised of the following:

|   | Three<br>Months<br>Ended<br>September<br>30,<br>2017 |       | Nine<br>Months<br>Ended<br>September<br>30,<br>2016 |        |
|---|--|-------|---|--------|
| Net losses (gains) on disposal of assets, restaurant closures, and refranchisings | \$3.4  | \$3.3 | \$14.9  | \$19.6 |
| Litigation settlements and reserves, net  | 0.6  | 0.4   | 1.7   | 2.0    |
| Net losses (gains) on foreign exchange  | 17.7   | 4.1   | 64.9  | 16.1   |
| Other, net  | (0.2)  | 0.9   | 0.6   | 0.5    |
| Other operating expenses (income), net  | \$21.5   | \$8.7 | \$82.1  | \$38.2 |

Net losses (gains) on disposal of assets, restaurant closures, and refranchisings represent sales of properties and other costs related to restaurant closures and refranchisings. Gains and losses recognized in the current period may reflect certain costs related to closures and refranchisings that occurred in previous periods. Net losses (gains) on disposals of assets, restaurant closures, and refranchisings for the three and nine months ended September 30, 2017 and the three and nine months ended September 30, 2016 primarily reflects losses in connection with refranchisings in our TH business.

Net losses (gains) on foreign exchange is primarily related to revaluation of foreign denominated assets and liabilities.

Interest Expense, net

Our interest expense, net and the weighted average interest rate on our long-term debt were as follows:

|  | Three Months<br>Ended<br>September 30,<br>2017 |         | Nine Months<br>Ended<br>September 30,<br>2016 |         |
|--|--|---------|---|---------|
| Interest expense, net                            | \$136.0  | \$117.3 | \$375.4                                       | \$349.6 |
| Weighted average interest rate on long-term debt | 4.8  | % 5.2   | % 4.9   | % 5.2   |

During the three and nine months ended September 30, 2017, interest expense, net increased primarily due to higher outstanding debt from incremental term loans and the issuance of senior notes during 2017, partially offset by an increase in interest income and a lower weighted average interest rate.

Loss on Early Extinguishment of Debt

During the three and nine months ended September 30, 2017, we recorded a \$58.2 million and \$78.6 million loss on early extinguishment of debt, respectively, which primarily reflects the payment of premiums to redeem a portion of our second lien notes during September 2017 and the write-off of unamortized debt issuance costs and discounts in connection with the refinancing of our Term Loan Facility and the redemption of a portion of our second lien notes.

Income Tax Expense

Our effective tax rate was 13.4% and 15.3% for the three and nine months ended September 30, 2017, respectively, and 21.3% and 20.7% for the comparable periods in 2016, respectively. The effective tax rate was reduced by 6.8% and 4.5% for the three and nine months ended September 30, 2017, respectively, as a result of excess tax benefits

from share-based compensation which are now recorded as a reduction to the income tax provision as a result of the required adoption of a new

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share-based compensation accounting standard (see Note 4 to the accompanying unaudited condensed consolidated financial statements). Additionally, our effective tax rate for the three and nine months ended September 30, 2017 benefited from the impact of our financing structure and net audit-related reserve releases, partially offset by non-deductible PLK Transaction costs.

Net Income

We reported net income of \$246.8 million for the three months ended September 30, 2017, compared to net income of \$238.6 million for the three months ended September 30, 2016. The increase in net income is primarily as a result of increases in segment income in TH and BK totaling \$39.4 million, the inclusion of \$36.8 million of PLK segment income, a \$26.3 million decrease in income tax expense and the non-recurrence of \$4.4 million in Integration costs. These factors were partially offset by a \$58.2 million loss on early extinguishment of debt, an \$18.7 million increase in interest expense, net, a \$12.8 million increase in other operating expenses (income), net, and \$6.9 million of PLK Transaction costs.

We reported net income of \$656.9 million for the nine months ended September 30, 2017, compared to net income of \$654.5 million for the nine months ended September 30, 2016. The increase in net income is primarily as a result of increases in segment income in TH and BK totaling \$93.7 million, the inclusion of \$70.0 million of PLK segment income, a \$52.0 million decrease in income tax expense and the non-recurrence of \$10.4 million in Integration costs. These factors were partially offset by a \$78.6 million loss on early extinguishment of debt, \$49.8 million of PLK Transaction costs, a \$43.9 million increase in other operating expenses (income), net, a \$25.8 million increase in interest expense, net, an \$11.9 million increase in share-based compensation and non-cash incentive compensation, and a \$7.5 million decrease from the impact of equity method investments.

Non-GAAP Reconciliations

The table below contains information regarding EBITDA and Adjusted EBITDA, which are non-GAAP measures. These non-GAAP measures do not have a standardized meaning under U.S. GAAP and may differ from similar captioned measures of other companies in our industry. We believe that these non-GAAP measures are useful to investors in assessing our operating performance, as it provides them with the same tools that management uses to evaluate our performance and is responsive to questions we receive from both investors and analysts. By disclosing these non-GAAP measures, we intend to provide investors with a consistent comparison of our operating results and trends for the periods presented. EBITDA is defined as earnings (net income or loss) before interest expense, net, (gain) loss on early extinguishment of debt, income tax expense, and depreciation and amortization and is used by management to measure operating performance of the business. Adjusted EBITDA is defined as EBITDA excluding the non-cash impact of share-based compensation and non-cash incentive compensation expense and (income) loss from equity method investments, net of cash distributions received from equity method investments, as well as other operating expenses (income), net. Other specifically identified costs associated with non-recurring projects are also excluded from Adjusted EBITDA, including PLK Transaction costs associated with the Popeyes Acquisition and integration costs associated with the acquisition of Tim Hortons. Adjusted EBITDA is used by management to measure operating performance of the business, excluding these non-cash and other specifically identified items that management believes are not relevant to management's assessment of operating performance or the performance of an acquired business. Adjusted EBITDA, as defined above, also represents our measure of segment income for each of our three operating segments.

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|  | Three Months  |         | Variance |         |                              | Nine Months   |         | Variance |          |                              |
|--|---------------|---------|----------|---------|------------------------------|---------------|---------|----------|----------|------------------------------|
|  | Ended         |         | \$       | %       | Favorable /<br>(Unfavorable) | Ended         |         | \$       | %        | Favorable /<br>(Unfavorable) |
|  | September 30, |         |          |         |                              | September 30, |         |          |          |                              |
|  | 2017          | 2016    |          |         |                              | 2017          | 2016    |          |          |                              |
| Segment income:  |               |         |          |         |                              |               |         |          |          |                              |
| TH   | \$294.4       | \$287.1 | \$7.3    | 2.5 %   |                              | \$831.7       | \$793.9 | \$37.8   | 4.8 %    |                              |
| BK   | 233.9         | 201.8   | 32.1     | 15.9 %  |                              | 637.8         | 581.9   | 55.9     | 9.6 %    |                              |
| PLK  | 36.8          | —       | 36.8     | NM      |                              | 70.0          | —       | 70.0     | NM       |                              |
| Adjusted EBITDA  | 565.1         | 488.9   | 76.2     | 15.6 %  |                              | 1,539.5       | 1,375.8 | 163.7    | 11.9 %   |                              |
| Share-based compensation and non-cash incentive compensation expense | 12.5          | 11.8    | (0.7 )   | (5.9 )% |                              | 42.9          | 31.0    | (11.9 )  | (38.4 )% |                              |
| PLK Transaction costs  | 6.9           | —       | (6.9 )   | NM      |                              | 49.8          | —       | (49.8 )  | NM       |                              |
| Integration costs  | —             | 4.4     | 4.4      | NM      |                              | —             | 10.4    | 10.4     | NM       |                              |
| Impact of equity method investments (a)                              | (1.3 )        | 0.3     | 1.6      | NM      |                              | (0.1 )        | (7.6 )  | (7.5 )   | 98.7 %   |                              |
| Other operating expenses (income), net                               | 21.5          | 8.7     | (12.8)   | NM      |                              | 82.1          | 38.2    | (43.9 )  | (114.9)% |                              |
| EBITDA   | 525.5         | 463.7   | 61.8     | 13.3 %  |                              | 1,364.8       | 1,303.8 | 61.0     | 4.7 %    |                              |
| Depreciation and amortization  | 46.2          | 43.2    | (3.0 )   | (6.9 )% |                              | 134.9         | 128.7   | (6.2 )   | (4.8 )%  |                              |
| Income from operations   | 479.3         | 420.5   | 58.8     | 14.0 %  |                              | 1,229.9       | 1,175.1 | 54.8     | 4.7 %    |                              |
| Interest expense, net  | 136.0         | 117.3   | (18.7)   | (15.9)% |                              | 375.4         | 349.6   | (25.8 )  | (7.4 )%  |                              |
| Loss on early extinguishment of debt                                 | 58.2          | —       | (58.2)   | NM      |                              | 78.6          | —       | (78.6 )  | NM       |                              |
| Income tax expense   | 38.3          | 64.6    | 26.3     | 40.7 %  |                              | 119.0         | 171.0   | 52.0     | 30.4 %   |                              |
| Net income   | \$246.8       | \$238.6 | \$8.2    | 3.4 %   |                              | \$656.9       | \$654.5 | \$2.4    | 0.4 %    |                              |

NM - not meaningful

Represents (i) (income) loss from equity method investments and (ii) cash distributions received from our equity (a)method investments. Cash distributions received from our equity method investments are included in segment income.

The increase in Adjusted EBITDA for the three and nine months ended September 30, 2017 reflects increases in segment income in our TH and BK segments and the inclusion of our PLK segment.

The increase in EBITDA for the three months ended September 30, 2017 is primarily due to increases in segment income in our TH and BK segments, the inclusion of PLK segment income, the non-recurrence of integration costs, and an improvement from the impact of equity method investments, partially offset by an increase in other operating expenses (income), net, PLK Transaction costs recognized in the current period, and an increase in share-based compensation and non-cash incentive compensation.

The increase in EBITDA for the nine months ended September 30, 2017 is primarily due to increases in segment income in our TH and BK segments, the inclusion of PLK segment income, and the non-recurrence of integration costs, partially offset by PLK Transaction costs recognized in the current period, an increase in other operating expenses (income), net, an increase in share-based compensation and non-cash incentive compensation, and a decrease from the impact of equity method investments.

#### Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash generated by operations, and borrowings available under our Revolving Credit Facility (as defined below). We have used, and may in the future use, our liquidity to make required interest and/or principal payments, to pay dividends on Preferred Shares (as defined below), to repurchase our common shares, to repurchase Class B exchangeable limited partnership units of Partnership (“Partnership exchangeable units”), to redeem all or a portion of the Preferred Shares, to voluntarily prepay and repurchase our or one of our affiliate’s outstanding debt, to fund our investing activities, including the Popeyes Acquisition, and to pay dividends on our common shares and distributions on the Partnership exchangeable units. As a result of our borrowings, we are highly leveraged. Our liquidity requirements are significant, primarily due to debt service and the



cash dividend requirements of our Preferred Shares.

As of September 30, 2017, we had cash and cash equivalents of \$3,607.1 million, a substantial portion of which resulted from proceeds from the May 2017 issuance of the 2017 4.25% Senior Notes (as defined below), borrowing of the Incremental Term Loan No. 2 (as defined below), and proceeds from the settlement and termination of our previous cross-currency rate swaps in June 2017. On October 25, 2017, our board of directors approved the redemption of all of the Preferred Shares on December 12, 2017 (the "Redemption Date"). In October 2017 Partnership received an exchange notice representing 9,050,594 Partnership exchangeable units. In accordance with the terms of the partnership agreement, Partnership will satisfy the exchange notice by repurchasing 5,000,000 Partnership exchangeable units with cash on hand and exchanging 4,050,594 Partnership exchangeable units for the same number of newly issued RBI common shares. The exchange date will occur on

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November 8, 2017 and the repurchase of Partnership exchangeable units for cash will be based on the weighted average trading price of RBI common shares on the New York Stock Exchange in U.S. dollars for the 20 consecutive trading days ending on the last business day prior to the exchange date, per the terms of the partnership agreement. The intended redemption of the Preferred Shares and the repurchase of Partnership exchangeable units are both anticipated to be financed with available cash on hand. See Note 18 to the accompanying unaudited condensed consolidated financial statements included in Part I, Item 1 "Financial Statements" of this report.

As of September 30, 2017, we had working capital of \$3,082.1 million and borrowing availability of \$498.4 million under our Revolving Credit Facility. Based on our current level of operations and available cash, we believe our cash flow from operations, combined with availability under our Revolving Credit Facility, will provide sufficient liquidity to fund our current obligations, dividends on Preferred Shares, redemption of Preferred Shares, debt service requirements, and capital spending over the next twelve months.

As of September 30, 2017, approximately 3% of our consolidated cash and cash equivalents balances were held in countries other than Canada and the U.S. Undistributed earnings of our foreign subsidiaries for periods prior to the acquisition of Tim Hortons in 2014 are considered indefinitely reinvested for U.S. income tax purposes. Subsequent to then, we record a deferred tax liability for earnings of foreign subsidiaries with U.S. parent companies when such amounts are not considered permanently reinvested and would be subject to tax in the U.S. upon repatriation of cash.

On August 2, 2016, our board of directors approved a share repurchase authorization wherein RBI may purchase up to \$300.0 million of our common shares through July 2021. Repurchases under the Company's authorization will be made in the open market or through privately negotiated transactions. On August 2, 2017, we announced that the Toronto Stock Exchange (the "TSX") had accepted the notice of our intention to renew the normal course issuer bid. Under this normal course issuer bid, we are permitted to repurchase up to 19,215,980 common shares for the one-year period commencing on August 8, 2017 and ending on August 7, 2018, or earlier if we complete the repurchases prior to such date. Share repurchases under the normal course issuer bid will be made through the facilities of the TSX, the New York Stock Exchange (the "NYSE") and/or other exchanges and alternative Canadian or foreign trading systems, if eligible, or by such other means as may be permitted by the TSX and/or the NYSE under applicable law. Shareholders may obtain a copy of the notice, free of charge, by contacting the Company. As of the date of this report, there have been no share repurchases under the normal course issuer bid.

### Debt Instruments and Debt Service Requirements

As of September 30, 2017, our long-term debt is comprised primarily of borrowings under our Credit Facilities, amounts outstanding under our 2017 4.25% Senior Notes, 2017 5.00% Senior Notes, 2015 4.625% Senior Notes, and 2014 6.00% Senior Notes (each as defined below), and obligations under capital leases. For further information about our long-term debt, see Note 9 to the accompanying unaudited condensed consolidated financial statements included in this report.

### Refinancing of Credit Facilities

On February 17, 2017, two of our subsidiaries (the "Borrowers") entered into a second amendment (the "Second Amendment") to the credit agreement governing our senior secured term loan facility (the "Term Loan Facility") and our senior secured revolving credit facility of up to \$500.0 million of revolving extensions of credit outstanding at any time (including revolving loans, swingline loans and letters of credit) (the "Revolving Credit Facility" and together with the Term Loan Facility, the "Credit Facilities"). Under the Second Amendment, (i) the outstanding aggregate principal amount under our Term Loan Facility was decreased to \$4,900.0 million as a result of a repayment of \$146.1 million from cash on hand, (ii) the interest rate applicable to our Term Loan Facility was reduced to, at our option, either (a) a base rate plus an applicable margin equal to 1.25%, or (b) a Eurocurrency rate plus an applicable margin equal to 2.25%, (iii) the maturity of our Term Loan Facility was extended from December 12, 2021 to February 17, 2024, and (iv) the Borrowers and their subsidiaries were provided with additional flexibility under certain negative covenants, including incurrence of indebtedness, making of investments, dispositions and restricted payments, and prepayment of subordinated indebtedness. Except as described herein, the Second Amendment did not materially change the terms of the Credit Facilities.

### Incremental Term Loans

In connection with the Popeyes Acquisition, we obtained an incremental term loan in the aggregate principal amount of \$1,300.0 million (the “Incremental Term Loan No. 1”) under our Term Loan Facility. The Incremental Term Loan No. 1 bears interest at the same rate as the Term Loan Facility and also matures on February 17, 2024. In connection with the Incremental Term Loan No. 1, Popeyes was included as loan guarantor and its assets as collateral under the Credit Facilities. Except as described herein, there were no material changes to the terms of the Credit Facilities.

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Simultaneously and in connection with the issuance of the 2017 4.25% Senior Notes (defined below), we obtained an incremental term loan in the aggregate principal amount of \$250.0 million (the "Incremental Term Loan No. 2" and together with the Incremental Term Loan No. 1, the "Incremental Term Loans") under our Term Loan Facility. The Incremental Term Loan No. 2 bears interest at the same rate as the Term Loan Facility and also matures on February 17, 2024. There were no other material changes to the terms of the Credit Facilities.

**Credit Facilities**

As of September 30, 2017, there was \$6,404.8 million outstanding principal amount under the Term Loan Facility with a weighted average interest rate of 3.52%. Based on the amounts outstanding under the Term Loan Facility and LIBOR as of September 30, 2017, subject to a floor of 1.00%, required debt service for the next twelve months is estimated to be approximately \$227.9 million in interest payments and \$64.5 million in principal payments. In addition, based on LIBOR as of September 30, 2017, net cash settlements that we expect to pay on our \$2,500.0 million interest rate swap are estimated to be approximately \$24.2 million for the next twelve months.

As of September 30, 2017, we had no amounts outstanding under the Revolving Credit Facility, had \$1.6 million of letters of credit issued against the facility, and our borrowing availability was \$498.4 million. Funds available under the Revolving Credit Facility may be used to repay other debt, finance debt or share repurchases, fund acquisitions or capital expenditures, and for other general corporate purposes. We have a \$125.0 million letter of credit sublimit as part of the Revolving Credit Facility, which reduces our borrowing availability thereunder by the cumulative amount of outstanding letters of credit.

On October 13, 2017, the Borrowers extended the maturity date of the Revolving Credit Facility from December 12, 2019 to October 13, 2022. The extension was effected through the termination of the existing revolving credit commitments and the entry into Incremental Facility Amendment No. 3 (the "October 2017 Incremental Amendment") to the Credit Agreement. The October 2017 Incremental Amendment maintains the same \$500.0 million in aggregate principal amount of commitments under the Revolving Credit Facility. As amended, the Revolving Credit Facility matures on October 13, 2022, provided that if, on October 15, 2021, more than an aggregate of \$150.0 million of the 2015 4.625% Senior Notes are outstanding, then the maturity date of the Revolving Credit Facility shall be October 15, 2021. All other material terms of the Revolving Credit Facility remained the same.

**Senior Notes**

On May 17, 2017, the Borrowers entered into an indenture (the "2017 4.25% Senior Notes Indenture") in connection with the issuance of \$1,500.0 million of 4.25% first lien senior secured notes due May 15, 2024 (the "2017 4.25% Senior Notes"). No principal payments are due until maturity and interest is paid semi-annually. We expect to use the net proceeds from the offering of the 2017 4.25% Senior Notes, together with other sources of liquidity, to redeem all of the Preferred Shares on the Redemption Date and for other general corporate purposes.

On August 28, 2017, the Borrowers entered into an indenture (the "2017 5.00% Senior Notes Indenture") in connection with the issuance of \$1,300.0 million of 5.00% second lien senior secured notes due October 15, 2025 (the "2017 5.00% Senior Notes"). No principal payments are due until maturity and interest is paid semi-annually. The net proceeds from the offering of the 2017 5.00% Senior Notes were used to redeem \$1,250.0 million principal amount of the 6.00% second lien senior secured notes due April 1, 2022 (the "2014 6.00% Senior Notes"), pay related redemption premiums, fees and expenses.

On October 4, 2017, the Borrowers issued \$1,500.0 million of 5.00% second lien senior secured notes due October 15, 2025 (the "October 2017 Senior Notes"), which were issued as additional notes under the 2017 5.00% Senior Notes Indenture pursuant to which the Borrowers previously issued the 2017 5.00% Senior Notes. The October 2017 Senior Notes are treated as a single series with the 2017 5.00% Senior Notes and have substantially the same terms as those of the 2017 5.00% Senior Notes for all purposes under the 2017 5.00% Senior Notes Indenture, including waivers, amendments, redemptions and offers to purchase. No principal payments are due until maturity and interest is paid semi-annually. The net proceeds from the offering of the October 2017 Senior Notes were used to redeem the remaining \$1,000.0 million principal amount outstanding of the 2014 6.00% Senior Notes on October 18, 2017, pay related redemption premiums, fees and expenses, and for general corporate purposes.

The Borrowers are also party to an indenture (the "2015 4.625% Senior Notes Indenture") in connection with the issuance of \$1,250.0 million of 4.625% first lien senior notes due January 15, 2022 (the "2015 4.625% Senior Notes")

and an indenture (the “2014 6.00% Senior Notes Indenture”) in connection with the issuance of the 2014 6.00% Senior Notes. As of September 30, 2017, there was \$1,000.0 million of outstanding principal amount of the 2014 6.00% Senior Notes following the September 2017 redemption of \$1,250.0 million principal amount of the 2014 6.00% Senior Notes. The remaining \$1,000.0 million of the 2014 6.00% Senior Notes was redeemed in October 2017. No principal payments are due on the 2015 4.625%

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Senior Notes or were due on the 2014 6.00% Senior Notes until maturity and interest on the 2015 4.625% Senior Notes is paid semi-annually.

Based on the amounts outstanding at October 26, 2017, required debt service for the next twelve months on all of the Senior Notes outstanding is approximately \$261.6 million in interest payments.

### Restrictions and Covenants

As of September 30, 2017, we were in compliance with all debt covenants under the Credit Facilities, 2017 4.25% Senior Notes Indenture, 2015 4.625% Senior Notes Indenture, 2017 5.00% Senior Notes Indenture and 2014 6.00% Senior Notes Indenture, and there were no limitations on our ability to draw on the remaining availability under our Revolving Credit Facility.

### Preferred Shares

In December 2014, Berkshire Hathaway Inc. (“Berkshire”) and the Company entered into a Securities Purchase Agreement pursuant to which National Indemnity Company, a wholly-owned subsidiary of Berkshire, purchased 68,530,939 Class A 9.0% cumulative compounding perpetual voting preferred shares (the “Preferred Shares”). Our articles provide that the maximum number of Preferred Shares that we are authorized to issue is limited to 68,530,939 Preferred Shares, which is the number of Preferred Shares issued to National Indemnity Company and now outstanding.

The holder of the Preferred Shares is entitled to receive, as and when declared by our board of directors, cumulative cash dividends at an annual rate of 9.0% on the amount of the purchase price of \$43.775848 per Preferred Share, payable quarterly in arrears (“regular quarterly dividends”). Such dividends accrue daily on a cumulative basis, whether or not declared by our board of directors.

The Preferred Shares may be redeemed at our option, in whole or in part, at any time on and after December 12, 2017, which is the third anniversary of their original issue date. After the tenth anniversary of the original issue date, holders of not less than a majority of the outstanding Preferred Shares may cause us to redeem the Preferred Shares. On October 25, 2017, our board of directors approved the redemption of all of the Preferred Shares on the Redemption Date. In accordance with Section 4(a) of the Class A Preferred Share Provisions of Schedule A of RBI's Articles of Amendment (the “Articles”), the redemption price is \$48.109657 per Preferred Share plus accrued and unpaid dividends up to the Redemption Date plus or minus any unpaid make-whole dividend (as defined in the Articles) and any additional dividends (the “redemption price”). The redemption price may be reduced if the make-whole dividend formula described in Note 12 to our unaudited condensed consolidated financial statements included in Part I, Item 1 “Financial Statements” of this report indicates the after-tax net dividends paid to the holder of the Preferred Shares from the original issue date through the redemption date will exceed the after-tax net dividends that would have been paid if we were a U.S. corporation. Upon redemption, the Preferred Shares will be deemed canceled, dividends will cease to accrue thereon and all rights of the holders will terminate, except the right to receive the cash payable upon such redemption.

Holders of Preferred Shares also hold a contingently exercisable option to cause us to redeem their Preferred Shares at the redemption price in the event of certain triggering events. In the event that a triggering event is announced, the holders of not less than a majority of the Preferred Shares may require us, to the fullest extent permitted by law, to redeem all of the outstanding Preferred Shares of such holders at a price equal to the redemption price for each redeemed share on the date of the consummation of the triggering event. For this purpose, a “triggering event” means the occurrence of one or more of the following: (i) the acquisition of the Company by another entity by means of any transaction or series of transactions (including, without limitation, any merger, amalgamation, arrangement, consolidation or reorganization) if the Company’s shareholders constituted immediately prior to such transaction or series of related transactions hold less than 50% of the voting power of the surviving or acquiring entity; (ii) the closing of the transfer, in one transaction or a series of related transactions, to a person or entity (or a group of persons or entities) of the Company’s securities if, after such closing, the Company’s shareholders constituted immediately prior to such transaction or series of related transactions hold less than 50% of the voting power of the Company or its successor; or (iii) a sale, license or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company. Since the redemption features are not solely within the control of the Company, the Preferred Shares are classified as temporary equity. Once a Preferred Share has been redeemed and all

payments and dividends to the holder have been made in full, it must be cancelled and may not be reissued.

Cash Dividends

On October 2, 2017, we paid a dividend of \$0.98 per Preferred Share, for a total of \$67.5 million, which included the amount due for the third calendar quarter of 2017. On October 3, 2017, we paid a dividend of \$0.20 per common share and

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Partnership made a distribution in respect of each Partnership exchangeable unit in the amount of \$0.20 per Partnership exchangeable unit.

On October 25, 2017, our board of directors declared a cash dividend of \$0.98 per Preferred Share, for a total dividend of \$67.5 million payable on January 2, 2018 to the holder of record of the Preferred Shares on December 15, 2017. The dividend on the Preferred Shares includes the amount due for the fourth calendar quarter of 2017. However, as indicated above, if we redeem the Preferred Shares prior to December 15, 2017, the redemption price will include accrued and unpaid regular quarterly dividends to the Redemption Date and, in such event, no regular quarterly dividend will be paid on the Preferred Shares on January 2, 2018. On October 25, 2017, our board of directors declared a cash dividend of \$0.21 per common share, which will be paid on January 3, 2018, to common shareholders of record on December 15, 2017. Partnership will also make a distribution in respect of each Partnership exchangeable unit in the amount of \$0.21 per Partnership exchangeable unit, and the record date and payment date for distributions on Partnership exchangeable units are the same as the record date and payment date set forth above.

No dividend may be declared or paid on common shares of the Company until a dividend is declared or paid on the Preferred Shares. In addition, if holders of at least a majority of the outstanding Preferred Shares have delivered a notice to exercise their right to have the Company redeem the Preferred Shares, no dividend may be declared or paid on our common shares (except that dividends declared on our common shares prior to the date of such delivery may be paid) unless on the date of such declaration or payment all Preferred Shares subject to such notice have been redeemed in full.

In addition, because we are a holding company, our ability to pay cash dividends on our common shares may be limited by restrictions under our debt agreements. Although we do not have a dividend policy, our board of directors may, subject to compliance with the covenants contained in our debt agreements and other considerations, determine to pay dividends in the future. We expect to pay all dividends from cash generated from our operations.

### Outstanding Security Data

As of October 20, 2017, we had outstanding 237,532,560 common shares, 68,530,939 Preferred Shares, and one special voting share. The special voting share is held by a trustee, entitling the trustee to that number of votes on matters on which holders of common shares are entitled to vote equal to the number of Partnership exchangeable units outstanding. The trustee is required to cast such votes in accordance with voting instructions provided by holders of Partnership exchangeable units. At any shareholder meeting of the Company, holders of our common shares vote together as a single class with the Preferred Shares and the special voting share except as otherwise provided by law. For information on our share-based compensation and our outstanding equity awards, see Note 14 to the audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC and Canadian securities regulatory authorities on February 17, 2017. There were 226,839,418 Partnership exchangeable units outstanding as of October 20, 2017. Since December 12, 2015, the holders of Partnership exchangeable units have had the right to require Partnership to exchange all or any portion of such holder's Partnership exchangeable units for our common shares at a ratio of one share for each Partnership exchangeable unit, subject to our right as the general partner of Partnership to determine to settle any such exchange for a cash payment in lieu of our common shares. In October 2017 Partnership received an exchange notice representing 9,050,594 Partnership exchangeable units. In accordance with the terms of the partnership agreement, Partnership will satisfy the exchange notice by repurchasing 5,000,000 Partnership exchangeable units with cash on hand and exchanging 4,050,594 Partnership exchangeable units for the same number of newly issued RBI common shares. The exchange date will occur on November 8, 2017. See Note 18 to the accompanying unaudited condensed consolidated financial statements included in Part I, Item 1 "Financial Statements" of this report.

### Comparative Cash Flows

#### Operating Activities

Cash provided by operating activities was \$813.5 million during the nine months ended September 30, 2017, compared to \$919.0 million during the same period in the prior year. The decrease in cash provided by operating activities was driven by increases in income tax payments and interest payments, PLK Transaction costs, and an increase in cash used by changes in working capital, partially offset by the inclusion of PLK segment income and increases in TH and BK segment income.



Investing Activities

Cash used for investing activities was \$851.9 million for the nine months ended September 30, 2017, compared to cash provided by investing activities of \$19.3 million during the same period in the prior year. The change in investing activities was

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driven primarily by net cash used for the Popeyes Acquisition partially offset by proceeds received from the settlement and termination of our previous cross-currency rate swaps.

Financing Activities

Cash provided by financing activities was \$2,162.4 million for the nine months ended September 30, 2017, compared to cash used for financing activities of \$436.3 million during the same period in the prior year. The change in financing activities was driven primarily by proceeds from the Incremental Term Loans under our Term Loan Facility, the issuance of the 2017 4.25% Senior Notes, and the issuance of the first tranche of the 2017 5.00% Senior Notes, partially offset by the repayment of a portion of the 2014 6.00% Senior Notes, the repayment of a portion of the Term Loan Facility in connection with the February 2017 refinancing referred to above, the repayment of debt assumed in the Popeyes Acquisition, the repayment of the series 1 Tim Hortons Notes due June 1, 2017, premiums paid to redeem the 2014 6.00% Senior Notes, payment of financing costs, and higher dividend payments in the current period.

Contractual Obligations and Commitments

Except as described herein, as of October 26, 2017, there were no material changes to our contractual obligations, which are detailed in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC and Canadian securities regulatory authorities on February 17, 2017. During 2017, we completed the refinancing of our Credit Facilities, incurred the Incremental Term Loans under our Term Loan Facility, issued the 2017 4.25% Senior Notes, issued the 2017 5.00% Senior Notes and redeemed all of the outstanding 2014 6.00% Senior Notes, each as defined and as described in Note 9, Long-Term Debt, to the accompanying unaudited condensed consolidated financial statements. The following table provides an update as of October 26, 2017 of the contractual obligations under our Credit Facilities and senior notes presented in our Annual Report on Form 10-K for the year ended December 31, 2016.

|   | Payment Due by Period |                  |           |           |                   |
|---|-----------------------|------------------|-----------|-----------|-------------------|
|   | Total                 | Less Than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| Contractual Obligations                   |                       |                  |           |           |                   |
|   | (In millions)         |                  |           |           |                   |
| Credit Facilities, including interest (a) | \$7,821.2             | \$292.4          | \$578.6   | \$568.9   | \$6,381.3         |
| All Senior Notes, including interest (b)  | 7,346.3               | 261.6            | 523.1     | 1,732.2   | 4,829.4           |

(a) We have estimated our interest payments through the maturity of our Credit Facilities based on LIBOR as of September 30, 2017.

(b) Amounts included herein for the Senior Notes exclude amounts for the Tim Hortons Notes.

Critical Accounting Policies and Estimates

This discussion and analysis of financial condition and results of operations is based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires our management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as related disclosures of contingent assets and liabilities. We evaluate our estimates on an ongoing basis and we base our estimates on historical experience and various other assumptions we deem reasonable to the situation. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in our estimates could materially impact our results of operations and financial condition in any particular period. For a complete discussion of our critical and significant accounting policies and estimates, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC and Canadian securities regulatory authorities on February 17, 2017. In addition to those policies and estimates, due to recent transactions and events, we also consider the following to be part of our critical accounting policies and estimates due to the high degree of judgment or complexity in its application:

**Business Combinations**

The Popeyes Acquisition was accounted for using the acquisition method of accounting, or acquisition accounting, in accordance with ASC Topic 805, Business Combinations. The acquisition method of accounting involves the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed. This allocation process involves the

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use of estimates and assumptions to derive fair values and to complete the allocation. Acquisition accounting allows for up to one year to obtain the information necessary to finalize the fair value of all assets acquired and liabilities assumed at March 27, 2017. As of September 30, 2017, we have recorded preliminary acquisition accounting allocations, which are subject to revision as we obtain additional information necessary to complete the fair value studies and acquisition accounting.

In the event that actual results vary from any of the estimates or assumptions used in the valuation or allocation process, we may be required to record an impairment charge or an increase in depreciation or amortization in future periods, or both.

See Note 2 to the accompanying unaudited condensed consolidated financial statements included in Part I, Item 1 “Financial Statements” of this report for additional information about accounting for the Popeyes Acquisition.

New Accounting Pronouncements

See Note 4 – New Accounting Pronouncements in the notes to the accompanying unaudited condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There were no material changes during the nine months ended September 30, 2017 to the disclosures made in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC and Canadian securities regulatory authorities on February 17, 2017.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was conducted under the supervision and with the participation of management, including the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the Company’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and Exchange Act Rules 15d-15(e)) as of September 30, 2017. Based on that evaluation, the CEO and CFO concluded that the Company’s disclosure controls and procedures were effective as of such date.

Changes in Internal Controls

We are in the process of integrating Popeyes into our overall internal control over financial reporting processes.

Internal Control Over Financial Reporting

The Company’s management, including the CEO and CFO, confirm that there were no changes in the Company’s internal control over financial reporting during the nine months ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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Special Note Regarding Forward-Looking Statements

Certain information contained in this report, including information regarding future financial performance and plans, targets, aspirations, expectations, and objectives of management, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of Canadian securities laws. We refer to all of these as forward-looking statements. Forward-looking statements are forward-looking in nature and, accordingly, are subject to risks and uncertainties. These forward-looking statements can generally be identified by the use of words such as “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “continue”, “will”, “may”, “could”, “would”, “target”, “potential” and other similar expressions and include, without limitation, statements regarding our expectations or beliefs regarding (i) our future financial obligations, including annual debt service requirements, capital expenditures and dividend payments, our ability to meet such obligations and the source of funds used to satisfy such obligations; (ii) the amount and timing of additional general and administrative expenses associated with the Popeyes Acquisition; (iii) the amount and timing of the redemption of the Preferred Shares and the source of funds used to satisfy such obligations; (iv) the amount and timing of the repurchase of exchangeable units, the exchange of exchangeable units into our common shares and the source of funds used to satisfy such obligations; and (v) certain accounting and tax matters.

These forward-looking statements represent management’s expectations as of the date hereof. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. However, these forward-looking statements are subject to a number of risks and uncertainties and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results, level of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements include, among other things, risks related to: (1) our substantial indebtedness, which could adversely affect our financial condition and prevent us from fulfilling our obligations; (2) global economic or other business conditions that may affect the desire or ability of our customers to purchase our products such as inflationary pressures, high unemployment levels, declines in median income growth, consumer confidence and consumer discretionary spending and changes in consumer perceptions of dietary health and food safety; (3) our relationship with, and the success of, our franchisees and risks related to our fully franchised business model; (4) the effectiveness of our marketing and advertising programs and franchisee support of these programs; (5) significant and rapid fluctuations in interest rates and in the currency exchange markets and the effectiveness of our hedging activity; (6) our ability to successfully implement our domestic and international growth strategy for our brands and risks related to our international operations; (7) our reliance on master franchisees and subfranchisees to accelerate restaurant growth; (8) the ability of the counterparties to our credit facilities and derivatives to fulfill their commitments and/or obligations; and (9) changes in applicable tax laws or interpretations thereof.

We operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Finally, our future results will depend upon various other risks and uncertainties, including, but not limited to, those detailed in Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC and Canadian securities regulatory authorities on February 17, 2017, as well as other materials that we from time to time file with, or furnish to, the SEC or file with Canadian securities regulatory authorities. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this section and elsewhere in this report. Other than as required under securities laws, we do not assume a duty to update these forward-looking statements, whether as a result of new information, subsequent events or circumstances, changes in expectations or

otherwise.

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Part II – Other Information

Item 1. Legal Proceedings

On October 6, 2017, a claim was filed in the Ontario Superior Court of Justice in a case styled JB & M Walker Ltd. and 1128419 Alberta Ltd. v. The TDL Group Corp., Restaurant Brands International Inc., Daniel Schwartz, Sami Siddiqui, Andrea John and Jon Domanko. The plaintiffs, two franchisees of Tim Hortons restaurants, seek to certify a class of all persons who have carried on business as a Tim Hortons franchisee at any time after March 8, 2017. The claim alleges various causes of action against the defendants in relation to the purported adverse treatment of member and potential member franchisees of the Great White North Franchisee Association. The plaintiffs seek damages for, among other things, breach of contract, breach of the statutory duty of fair dealing, and breach of the franchisees' statutory right of association.

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Item 6. Exhibits

| Exhibit<br>Number | Description  |
|-------------------|--|
| 10.10(d)          | <u>Amendment No. 2, dated February 17, 2017, to the Credit Agreement dated as of October 27, 2014, among 1011778 B.C. Unlimited Liability Company, an unlimited liability company organized under the laws of British Columbia, New Red Finance, Inc., a Delaware corporation, 1013421 B.C. Unlimited Liability Company, an unlimited liability company organized under the laws of British Columbia, the other guarantors party thereto, JPMorgan Chase Bank, N.A., as administrative agent, collateral agent and swing line lender and each L/C issuer and lender from time to time party thereto.</u>                   |
| 10.10(e)          | <u>Incremental Facility Amendment, dated as of March 27, 2017, to the Credit Agreement dated as of October 27, 2014, among 1011778 B.C. Unlimited Liability Company, an unlimited liability company organized under the laws of British Columbia, New Red Finance, Inc., a Delaware corporation, 1013421 B.C. Unlimited Liability Company, an unlimited liability company organized under the laws of British Columbia, the other guarantors party thereto, JPMorgan Chase Bank, N.A., as administrative agent, collateral agent and swing line lender and each L/C issuer and lender from time to time party thereto.</u> |
| 10.46             | <u>Purchase Agreement dated as of August 8, 2017 among J.P. Morgan Securities LLC, as representative of the Initial Purchasers (as defined therein), the Issuers (as defined therein) and the Guarantors (as defined therein).</u>   |
| 10.47             | <u>Purchase Agreement dated as of September 18, 2017 among J.P. Morgan Securities LLC, as representative of the Initial Purchasers (as defined therein), the Issuers (as defined therein) and the Guarantors (as defined therein).</u>   |
| 31.1              | <u>Certification of Chief Executive Officer of Restaurant Brands International Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>  |
| 31.2              | <u>Certification of Chief Financial Officer of Restaurant Brands International Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>  |
| 32.1              | <u>Certification of Chief Executive Officer of Restaurant Brands International Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>  |
| 32.2              | <u>Certification of Chief Financial Officer of Restaurant Brands International Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>  |
| 101.INS           | XBRL Instance Document   |
| 101.SCH           | XBRL Taxonomy Extension Schema Document  |
| 101.CAL           | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.DEF           | XBRL Taxonomy Extension Definition Linkbase Document   |



101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RESTAURANT BRANDS INTERNATIONAL INC.  
(Registrant)

Date: October 26, 2017    By: /s/ Joshua Kobza  
Name: Joshua Kobza, principal financial officer  
Chief Financial Officer  
Title: (principal financial officer)  
(duly authorized officer)