
Section 1: 10-Q (10-Q)

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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 June 30, 2018

- 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
(State or Other Jurisdiction of
Incorporation or Organization)

98-1202754
(I.R.S. Employer
Identification No.)

226 Wycroft Road
Oakville, Ontario
(Address of Principal Executive Offices)

L6K 3X7
(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);

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 July 25, 2018, there were 250,012,986 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	
	June 30, 2018	December 31, 2017
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 987.5	\$ 1,097.4
Accounts and notes receivable, net of allowance of \$17.4 and \$16.4, respectively	441.8	488.8
Inventories, net	85.5	78.0
Prepays and other current assets	116.1	85.4
Total current assets	1,630.9	1,749.6
Property and equipment, net of accumulated depreciation and amortization of \$682.9 and \$623.3, respectively	2,033.9	2,133.3
Intangible assets, net	10,736.4	11,062.2
Goodwill	5,619.9	5,782.3
Net investment in property leased to franchisees	61.8	71.3
Other assets, net	531.9	424.8
Total assets	<u>\$ 20,614.8</u>	<u>\$ 21,223.5</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts and drafts payable	\$ 474.4	\$ 496.2
Other accrued liabilities	662.7	865.7
Gift card liability	102.5	214.9
Current portion of long term debt and capital leases	78.8	78.2
Total current liabilities	1,318.4	1,655.0
Term debt, net of current portion	11,776.0	11,800.9
Capital leases, net of current portion	231.1	243.8
Other liabilities, net	1,664.2	1,455.1
Deferred income taxes, net	1,400.8	1,508.1
Total liabilities	16,390.5	16,662.9
Shareholders' equity:		
Common shares, no par value; unlimited shares authorized at June 30, 2018 and December 31, 2017; 249,567,271 shares issued and outstanding at June 30, 2018; 243,899,476 shares issued and outstanding at December 31, 2017	2,116.4	2,051.5
Retained earnings	607.8	650.6
Accumulated other comprehensive income (loss)	(647.4)	(475.7)
Total Restaurant Brands International Inc. shareholders' equity	2,076.8	2,226.4
Noncontrolling interests	2,147.5	2,334.2
Total shareholders' equity	4,224.3	4,560.6
Total liabilities and shareholders' equity	<u>\$ 20,614.8</u>	<u>\$ 21,223.5</u>

See accompanying notes to condensed consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(In millions of U.S. dollars, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Sales	\$ 586.2	\$ 602.1	\$ 1,134.0	\$ 1,152.5
Franchise and property revenues (Note 4)	757.2	530.6	1,463.2	980.8
Total revenues	1,343.4	1,132.7	2,597.2	2,133.3
Operating costs and expenses:				
Cost of sales	448.9	460.2	878.0	883.6
Franchise and property expenses	102.4	113.7	206.8	224.7
Selling, general and administrative expenses (Note 4)	317.6	96.7	618.9	218.6
(Income) loss from equity method investments	1.2	0.9	(13.1)	(4.8)
Other operating expenses (income), net	(29.4)	46.8	(16.7)	60.6
Total operating costs and expenses	840.7	718.3	1,673.9	1,382.7
Income from operations	502.7	414.4	923.3	750.6
Interest expense, net	129.8	128.0	269.9	239.4
Loss on early extinguishment of debt	—	—	—	20.4
Income before income taxes	372.9	286.4	653.4	490.8
Income tax expense	58.7	42.9	60.4	80.7
Net income	314.2	243.5	593.0	410.1
Net income attributable to noncontrolling interests (Note 11)	146.6	86.5	277.6	135.4
Preferred share dividends	—	67.5	—	135.0
Net income attributable to common shareholders	\$ 167.6	\$ 89.5	\$ 315.4	\$ 139.7
Earnings per common share				
Basic	\$ 0.67	\$ 0.38	\$ 1.27	\$ 0.59
Diluted	\$ 0.66	\$ 0.37	\$ 1.25	\$ 0.57
Weighted average shares outstanding				
Basic	249.3	235.8	247.6	235.2
Diluted	474.1	478.0	474.0	477.3
Cash dividends declared per common share	\$ 0.45	\$ 0.19	\$ 0.90	\$ 0.37

See accompanying notes to condensed consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In millions of U.S. dollars)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 314.2	\$ 243.5	\$ 593.0	\$ 410.1
Foreign currency translation adjustment	(256.8)	355.4	(472.4)	461.2
Net change in fair value of net investment hedges, net of tax of \$(29.3), \$(48.8), \$(37.9) and \$(38.1)	113.5	(172.9)	116.0	(216.4)
Net change in fair value of cash flow hedges, net of tax of \$0.3, \$5.9, \$(10.1) and \$6.8	(0.7)	(16.5)	27.6	(19.1)
Amounts reclassified to earnings of cash flow hedges, net of tax of \$(1.5), \$(2.5), \$(2.3) and \$(3.8)	3.9	7.3	6.2	11.0
Gain (loss) recognized on defined benefit pension plans, net of tax of \$0.0, \$1.1, \$0.0 and \$1.4	—	0.6	0.2	0.3
Other comprehensive income (loss)	(140.1)	173.9	(322.4)	237.0
Comprehensive income (loss)	174.1	417.4	270.6	647.1
Comprehensive income (loss) attributable to noncontrolling interests	81.3	171.8	126.7	251.7
Comprehensive income attributable to preferred shareholders	—	67.5	—	135.0
Comprehensive income (loss) attributable to common shareholders	\$ 92.8	\$ 178.1	\$ 143.9	\$ 260.4

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, 2017	243,899,476	\$ 2,051.5	\$ 650.6	\$ (475.7)	\$ 2,334.2	\$ 4,560.6
Cumulative effect adjustment (Note 4)	—	—	(132.0)	—	(117.8)	(249.8)
Stock option exercises	5,469,375	29.0	—	—	—	29.0
Share-based compensation	—	26.5	—	—	—	26.5
Issuance of shares	126,065	6.6	—	—	—	6.6
Dividends declared on common shares	—	—	(224.3)	—	—	(224.3)
Dividend equivalents declared on restricted stock units	—	1.9	(1.9)	—	—	—
Distributions declared by Partnership on Partnership exchangeable units (Note 11)	—	—	—	—	(195.9)	(195.9)
Exchange of Partnership exchangeable units for RBI common shares	72,355	0.9	—	(0.2)	(0.7)	—
Restaurant VIE contributions (distributions)	—	—	—	—	1.0	1.0
Net income	—	—	315.4	—	277.6	593.0
Other comprehensive income (loss)	—	—	—	(171.5)	(150.9)	(322.4)
Balances at June 30, 2018	249,567,271	\$ 2,116.4	\$ 607.8	\$ (647.4)	\$ 2,147.5	\$ 4,224.3

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)

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 593.0	\$ 410.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	92.6	88.7
Premiums paid and non-cash loss on early extinguishment of debt	—	17.9
Amortization of deferred financing costs and debt issuance discount	14.5	16.7
(Income) loss from equity method investments	(13.1)	(4.8)
Loss (gain) on remeasurement of foreign denominated transactions	(16.2)	47.1
Net (gains) losses on derivatives	(14.8)	14.9
Share-based compensation expense	26.6	27.2
Deferred income taxes	(58.1)	22.4
Other	4.3	9.8
Changes in current assets and liabilities, excluding acquisitions and dispositions:		
Accounts and notes receivable	36.2	27.4
Inventories and prepaids and other current assets	(15.6)	(4.9)
Accounts and drafts payable	(11.4)	(5.4)
Other accrued liabilities and gift card liability	(347.4)	(164.2)
Other long-term assets and liabilities	(3.2)	(12.9)
Net cash provided by operating activities	<u>287.4</u>	<u>490.0</u>
Cash flows from investing activities:		
Payments for property and equipment	(21.6)	(11.7)
Proceeds from disposal of assets, restaurant closures, and refranchisings	3.4	9.6
Net payment for purchase of Popeyes, net of cash acquired	—	(1,635.9)
Return of investment on direct financing leases	8.3	7.8
Settlement/sale of derivatives, net	11.2	772.0
Other investing activities, net	0.2	0.3
Net cash provided by (used for) investing activities	<u>1.5</u>	<u>(857.9)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	3,050.0
Repayments of long-term debt and capital leases	(43.3)	(377.7)
Payment of financing costs	—	(47.0)
Payment of dividends on common and preferred shares and distributions on Partnership exchangeable units	(307.0)	(296.6)
Payments in connection with redemption of preferred shares	(60.1)	—
Proceeds from stock option exercises	29.0	12.3
Other financing activities, net	(1.8)	(2.3)
Net cash (used for) provided by financing activities	<u>(383.2)</u>	<u>2,338.7</u>
Effect of exchange rates on cash and cash equivalents	(15.6)	13.3
Increase (decrease) in cash and cash equivalents	(109.9)	1,984.1
Cash and cash equivalents at beginning of period	1,097.4	1,475.8
Cash and cash equivalents at end of period	<u>\$ 987.5</u>	<u>\$ 3,459.9</u>
Supplemental cash flow disclosures:		
Interest paid	\$ 273.6	\$ 205.6
Income taxes paid	\$ 374.0	\$ 116.9

See accompanying notes to condensed consolidated financial statements.

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 (“Partnership”). We franchise and operate quick service restaurants serving premium coffee and other beverage and food products under the *Tim Hortons*® brand (“Tim Hortons” or “TH”), fast food hamburgers principally under the *Burger King*® brand (“Burger King” or “BK”), and chicken under the *Popeyes*® brand (“Popeyes” or “PLK”). We are one of the world’s largest quick service restaurant, or QSR, companies as measured by total number of restaurants. As of June 30, 2018, we franchised or owned 4,794 Tim Hortons restaurants, 17,022 Burger King restaurants, and 2,975 Popeyes restaurants, for a total of 24,791 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. 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 23, 2018.

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.

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 June 30, 2018 and December 31, 2017, we determined that we are the primary beneficiary of 21 and 31 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.

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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 consist of the December 31, 2017 reclassification of Advertising fund restricted assets to Cash and cash equivalents, Accounts and notes receivable, net and Prepaids and other current assets and the reclassification of Advertising fund liabilities to Accounts and drafts payable and Other accrued liabilities as detailed below (in millions). These reclassifications had no effect on previously reported net income.

	December 31, 2017		December 31, 2017	
	As Reported	Reclassification	As Adjusted	
Current assets:				
Cash and cash equivalents	\$ 1,073.4	\$ 24.0	\$ 1,097.4	
Accounts and notes receivable, net	455.9	32.9	488.8	
Inventories, net	78.0	—	78.0	
Advertising fund restricted assets	83.3	(83.3)	—	
Prepaids and other current assets	59.0	26.4	85.4	
Total current assets	<u>\$ 1,749.6</u>	<u>\$ —</u>	<u>\$ 1,749.6</u>	
Current liabilities:				
Accounts and drafts payable	\$ 412.9	\$ 83.3	\$ 496.2	
Other accrued liabilities	838.2	27.5	865.7	
Gift card liability	214.9	—	214.9	
Advertising fund liabilities	110.8	(110.8)	—	
Current portion of long term debt and capital leases	78.2	—	78.2	
Total current liabilities	<u>\$ 1,655.0</u>	<u>\$ —</u>	<u>\$ 1,655.0</u>	

Note 3. 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. We adopted this new guidance on January 1, 2018. See Note 4, *Revenue Recognition*, for further information about our transition to this new revenue recognition model using the modified retrospective transition method.

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, amends various other aspects of accounting for leases by lessees and lessors, and requires enhanced disclosures. The new guidance is effective commencing in 2019 and requires either a modified retrospective transition approach with application in all comparative periods presented, or an alternative transition method, which permits a company to use its effective date as the date of initial application without restating comparative period financial statements. The new guidance also provides several practical expedients and policies that companies may elect under either transition method. We currently expect to apply the alternative transition method and elect the package of practical expedients under which we will not reassess the classification of our existing leases, reevaluate whether any expired or existing contracts are or contain leases or reassess initial direct costs under the new guidance. We do not expect to elect the practical expedient that permits a reassessment of lease terms for existing leases and are continuing to evaluate other practical expedients and elections specified in the new guidance.

We have commenced an analysis of the impact of the new lease guidance and developed a comprehensive plan for our implementation of the new guidance. The project plan includes analyzing the impact of the new guidance on our current lease contracts, reviewing the completeness of our existing lease portfolio, comparing our accounting policies under current accounting guidance to the new accounting guidance and identifying potential differences from applying the requirements of

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the new guidance to our lease contracts. Under current accounting guidance for leases, we do not recognize an asset or liability created by operating leases where we are the lessee. We expect a material increase to our assets and liabilities on our consolidated balance sheet as a result of recognizing assets and liabilities for operating leases where we are the lessee on the date of initial application of the new guidance. We are continuing to evaluate the impact of the new guidance on capital leases and direct finance leases. We are also continuing to evaluate 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 the amount or timing of our cash flows and liquidity.

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 be required to 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 improve the transparency and understandability of information conveyed to financial statement users about an entity's risk management activities and to simplify the application of hedge accounting by preparers. We adopted this guidance on January 1, 2018 (the "Adoption Date").

The new guidance eliminates the requirement to separately measure and report hedge ineffectiveness for cash flow and net investment hedges that are deemed effective. Most notably, for our cross-currency swaps designated as net investment hedges, the new guidance permits the exclusion of the interest component (the "Excluded Component") from the accounting hedge without affecting net investment hedge designation. The initial value of the Excluded Component may be recognized in earnings on a systematic and rational basis over the life of the derivative instrument.

Subsequent to the Adoption Date, we changed the method of assessing effectiveness for net investment hedges using derivatives from the forward method to the spot method. We de-designated the cross currency-swaps and re-designated them as of March 15, 2018 (the "Re-designation Date"). As a result of adopting the new guidance and the re-designation of our cross- currency-swaps, we will recognize a benefit from the amortization of the initial value of the Excluded Component as a component of Interest expense, net in our condensed consolidated statements of operations rather than as a component of other comprehensive income. All changes in fair value of the instruments related to currency fluctuations will continue to be recognized within other comprehensive income.

The impact of adoption did not have a material effect on our Financial Statements as of the Adoption Date. We recorded a \$19.9 million net benefit to Interest expense, net during the three months ended June 30, 2018 and a \$23.5 million net benefit to Interest expense, net from the Re-designation Date through June 30, 2018 in our condensed consolidated statements of operations for the amortization of the initial value of the Excluded Component, as described above. We believe the new guidance better portrays the economic results of our risk management activities and net investment hedges in our Financial Statements.

Reclassification of Certain Tax Effects – In February 2018, the FASB issued guidance which allows a reclassification from accumulated other comprehensive income to retained earnings for the tax effects of certain items within accumulated other comprehensive income. 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 Financial Statements.

Share-based payment arrangements with nonemployees – In June 2018, the FASB issued guidance which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. 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 Financial Statements.

Note 4. Revenue Recognition

Revenue from Contracts with Customers

We transitioned to FASB Accounting Standards Codification (“ASC”) Topic 606, *Revenue From Contracts with Customers* (“ASC 606”), from ASC Topic 605, *Revenue Recognition* and ASC Subtopic 952-605, *Franchisors - Revenue Recognition* (together, the “Previous Standards”) on January 1, 2018 using the modified retrospective transition method. Our Financial Statements reflect the application of ASC 606 guidance beginning in 2018, while our consolidated financial statements for prior periods were prepared under the guidance of the Previous Standards. The \$249.8 million cumulative effect of our transition to ASC 606 is reflected as an adjustment to January 1, 2018 Shareholders' equity.

Our transition to ASC 606 represents a change in accounting principle. ASC 606 eliminates industry-specific guidance and provides a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled for the exchange of those goods or services.

Revenue Recognition Significant Accounting Policies under ASC 606

Our revenues are comprised of sales and franchise and property revenues, which are detailed as follows:

Sales

Sales consist primarily of supply chain sales, which represent sales of products, supplies and restaurant equipment to franchisees, as well as sales to retailers. Orders placed by customers specify the goods to be delivered and transaction prices for supply chain sales. Revenue is recognized upon transfer of control over ordered items, generally upon delivery to the customer, which is when the customer obtains physical possession of the goods, legal title is transferred, the customer has all risks and rewards of ownership and an obligation to pay for the goods is created. Shipping and handling costs associated with outbound freight for supply chain sales are accounted for as fulfillment costs and classified as cost of sales.

Commencing on January 1, 2018, we classify all sales of restaurant equipment to franchisees as Sales and related cost of equipment sold as Cost of sales. In periods prior to January 1, 2018, we classified sales of restaurant equipment at establishment of a restaurant and in connection with renewal or renovation as Franchise and property revenues and related costs as Franchise and property expense.

To a much lesser extent, sales also include Company restaurant sales (including Restaurant VIEs), which consist of sales to restaurant guests. Revenue from Company restaurant sales is recognized at the point of sale. Taxes assessed by a governmental authority that we collect are excluded from revenue.

Franchise and Property Revenues

Franchise revenues

Franchise revenues consist primarily of royalties, advertising fund contributions, initial and renewal franchise fees and upfront fees from development agreements and master franchise and development agreements (“MFDAs”). Our performance obligations under franchise agreements consist of (a) a franchise license, including a license to use one of our brands and, where our subsidiaries manage an advertising fund, advertising and promotion management, (b) pre-opening services, such as training and inspections, and (c) ongoing services, such as development of training materials and menu items and restaurant monitoring and inspections. These performance obligations are highly interrelated, so we do not consider them to be individually distinct and therefore account for them under ASC 606 as a single performance obligation, which is satisfied by providing a right to use our intellectual property over the term of each franchise agreement.

Royalties, including franchisee contributions to advertising funds managed by our subsidiaries, are calculated as a percentage of franchise restaurant sales over the term of the franchise agreement. Under our franchise agreements, advertising contributions paid by franchisees must be spent on advertising, product development, marketing and related activities. Initial and renewal franchise fees are payable by the franchisee upon a new restaurant opening or renewal of an existing franchise agreement. Our franchise agreement royalties, inclusive of advertising fund contributions, represent sales-based royalties that are related entirely to our performance obligation under the franchise agreement and are recognized as franchise sales occur. Additionally, under ASC 606, initial and renewal franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Under the Previous Standards, initial franchise fees were recognized as revenue when the related restaurant commenced operations and our completion of all material services and conditions. Renewal franchise fees were recognized as revenue upon execution of a new franchise agreement. Our performance obligation under development

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agreements other than MFDAs generally consists of an obligation to grant exclusive development rights over a stated term. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchise restaurant opened by the franchisee. The pro rata amount apportioned to each restaurant is accounted for as an initial franchise fee.

We have a distinct performance obligation under our MFDAs to grant subfranchising rights over a stated term. Under the terms of MFDAs, we typically either receive an upfront fee paid in cash and/or receive noncash consideration in the form of an equity interest in the master franchisee or an affiliate of the master franchisee. We previously accounted for noncash consideration as a nonmonetary exchange and did not record revenue or a basis in the equity interest received in arrangements where we received noncash consideration. These transactions now fall within the scope of ASC 606, which requires us to record investments in the applicable equity method investee and recognize revenue in an amount equal to the fair value of the equity interest received. Upfront fees from master franchisees, including the fair value of noncash consideration, are deferred and amortized over the MFDA term on a straight-line basis. We may recognize unamortized upfront fees when a contract with a franchisee or master franchisee is modified and is accounted for as a termination of the existing contract.

The portion of gift cards sold to customers which are never redeemed is commonly referred to as gift card breakage. Under ASC 606, we recognize gift card breakage income proportionately as each gift card is redeemed using an estimated breakage rate based on our historical experience. Under the Previous Standards, we recognized gift card breakage income for each gift card's remaining balance when redemption of that balance was deemed remote.

Property Revenues

Property revenues are accounted for in accordance with applicable accounting guidance for leases and are excluded from the scope of ASC 606. See Note 2, *Significant Accounting Policies*, to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 for our property revenue accounting policies.

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Contract Liabilities

Contract liabilities consist of deferred revenue resulting from initial and renewal franchise fees paid by franchisees, as well as upfront fees paid by master franchisees, which are generally recognized on a straight-line basis over the term of the underlying agreement. We classify these contract liabilities as Other liabilities, net in our condensed consolidated balance sheets. The following table reflects the change in contract liabilities between the date of adoption (January 1, 2018) and June 30, 2018 (in millions):

	Contract Liabilities	
Balance at January 1, 2018	\$	455.0
Revenue recognized that was included in the contract liability balance at the beginning of the year		(30.7)
Increase, excluding amounts recognized as revenue during the period		40.6
Impact of foreign currency translation		(9.9)
Balance at June 30, 2018	\$	455.0

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of June 30, 2018 (in millions):

Contract liabilities expected to be recognized in	Amount	
Remainder of 2018	\$	17.6
2019		34.2
2020		33.5
2021		32.8
2022		32.0
Thereafter		304.9
Total	\$	455.0

Disaggregation of Total Revenues

Total revenues consist of the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Sales	\$ 586.2	\$ 602.1	\$ 1,134.0	\$ 1,152.5
Royalties	543.9	308.7	1,054.3	550.7
Property revenues	190.5	189.3	368.3	364.3
Franchise fees and other revenue	22.8	32.6	40.6	65.8
Total revenues	\$ 1,343.4	\$ 1,132.7	\$ 2,597.2	\$ 2,133.3

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Financial Statement Impact of Transition to ASC 606

As noted above, we transitioned to ASC 606 using the modified retrospective method on January 1, 2018. The cumulative effect of this transition to applicable contracts with customers that were not completed as of January 1, 2018 was recorded as an adjustment to Shareholders' equity as of this date. As a result of applying the modified retrospective method to transition to ASC 606, the following adjustments were made to the consolidated balance sheet as of January 1, 2018 (in millions):

	As Reported December 31, 2017	Total Adjustments	Adjusted January 1, 2018
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 1,097.4	\$ —	\$ 1,097.4
Accounts and notes receivable, net	488.8	—	488.8
Inventories, net	78.0	—	78.0
Prepays and other current assets	85.4	(23.0)	62.4
Total current assets	1,749.6	(23.0)	1,726.6
Property and equipment, net	2,133.3	—	2,133.3
Intangible assets, net	11,062.2	—	11,062.2
Goodwill	5,782.3	—	5,782.3
Net investment in property leased to franchisees	71.3	—	71.3
Other assets, net	424.8	106.6	531.4
Total assets	<u>\$ 21,223.5</u>	<u>\$ 83.6</u>	<u>\$ 21,307.1</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities:			
Accounts and drafts payable	\$ 496.2	\$ —	\$ 496.2
Other accrued liabilities	865.7	8.9	874.6
Gift card liability	214.9	(43.0)	171.9
Current portion of long term debt and capital leases	78.2	—	78.2
Total current liabilities	1,655.0	(34.1)	1,620.9
Term debt, net of current portion	11,800.9	—	11,800.9
Capital leases, net of current portion	243.8	—	243.8
Other liabilities, net	1,455.1	425.7	1,880.8
Deferred income taxes, net	1,508.1	(58.2)	1,449.9
Total liabilities	<u>16,662.9</u>	<u>333.4</u>	<u>16,996.3</u>
Shareholders' equity:			
Common shares	2,051.5	—	2,051.5
Retained earnings	650.6	(132.0)	518.6
Accumulated other comprehensive income (loss)	(475.7)	—	(475.7)
Total RBI shareholders' equity	2,226.4	(132.0)	2,094.4
Noncontrolling interests	2,334.2	(117.8)	2,216.4
Total shareholders' equity	4,560.6	(249.8)	4,310.8
Total liabilities and shareholders' equity	<u>\$ 21,223.5</u>	<u>\$ 83.6</u>	<u>\$ 21,307.1</u>

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Franchise Fees

The cumulative adjustment for franchise fees consists of the following:

- A \$320.7 million increase in Other liabilities, net for the cumulative reversal and deferral of previously recognized franchise fees related to franchise agreements in effect at January 1, 2018 that were entered into subsequent to the acquisitions of BK in 2010, TH in 2014 and PLK in 2017 (net of the cumulative revenue attributable for the period through January 1, 2018), with a corresponding decrease to Shareholders' equity.
- A \$106.6 million increase in Other assets, net for the previously unrecognized value of equity interests received in connection with MFDA arrangements. This increase resulted in a corresponding increase in Other liabilities, net of \$105.0 million and an adjustment to Shareholders' equity of \$1.6 million for the cumulative effect of revenue attributable for the period between the inception of each such arrangement and January 1, 2018.
- A \$67.1 million decrease to Deferred income taxes, net for the tax effects of the two adjustments noted above, with a corresponding increase to Shareholders' equity.

Advertising Funds

The cumulative adjustment for advertising funds reflects the recognition of cumulative advertising expenditures temporarily in excess of cumulative advertising fund contributions as of January 1, 2018, which is reflected as a \$23.0 million decrease in Prepaids and other current assets and a \$23.0 million decrease to Shareholders' equity.

Gift Card Breakage

The adjustment for gift card breakage reflects the impact of the change to recognize gift card breakage proportionately as gift card balances are used rather than when it is deemed remote that the unused gift card balance would be redeemed, as done under the Previous Standards. The cumulative effect of applying ASC 606 accounting to gift card balances outstanding at January 1, 2018 is reflected as a \$43.0 million decrease in Gift card liability, an \$8.9 million increase in Other accrued liabilities, an \$8.9 million increase in Deferred income taxes, net and a \$25.2 million increase in January 1, 2018 Shareholders' equity.

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Comparison to Amounts if Previous Standards Had Been in Effect

The following tables reflect the impact of adoption of ASC 606 on our condensed consolidated statements of operations for the three and six months ended June 30, 2018 and cash flows from operating activities for the six months ended June 30, 2018 and our condensed consolidated balance sheet as of June 30, 2018 and the amounts as if the Previous Standards were in effect (“Amounts Under Previous Standards”) (in millions):

Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2018

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	As Reported	Total Adjustments	Amounts Under Previous Standards	As Reported	Total Adjustments	Amounts Under Previous Standards
Revenues:						
Sales	\$ 586.2	\$ —	\$ 586.2	\$ 1,134.0	\$ —	\$ 1,134.0
Franchise and property revenues	757.2	(199.1)	558.1	1,463.2	(381.1)	1,082.1
Total revenues	1,343.4	(199.1)	1,144.3	2,597.2	(381.1)	2,216.1
Operating costs and expenses:						
Cost of sales	448.9	—	448.9	878.0	—	878.0
Franchise and property expenses	102.4	—	102.4	206.8	(0.2)	206.6
Selling, general and administrative expenses	317.6	(200.1)	117.5	618.9	(390.6)	228.3
(Income) loss from equity method investments	1.2	(3.6)	(2.4)	(13.1)	(3.6)	(16.7)
Other operating expenses (income), net	(29.4)	—	(29.4)	(16.7)	—	(16.7)
Total operating costs and expenses	840.7	(203.7)	637.0	1,673.9	(394.4)	1,279.5
Income from operations	502.7	4.6	507.3	923.3	13.3	936.6
Interest expense, net	129.8	0.7	130.5	269.9	1.2	271.1
Income before income taxes	372.9	3.9	376.8	653.4	12.1	665.5
Income tax expense	58.7	1.1	59.8	60.4	3.2	63.6
Net income	314.2	2.8	317.0	593.0	8.9	601.9
Net income attributable to noncontrolling interests	146.6	1.3	147.9	277.6	4.2	281.8
Net income attributable to common shareholders	\$ 167.6	\$ 1.5	\$ 169.1	\$ 315.4	\$ 4.7	\$ 320.1
Earnings per common share:						
Basic	\$ 0.67		\$ 0.68	\$ 1.27		\$ 1.29
Diluted	\$ 0.66		\$ 0.67	\$ 1.25		\$ 1.27

The following summarizes the adjustments to our condensed consolidated statement of operations for the three and six months ended June 30, 2018 to reflect our condensed consolidated statement of operations as if we had continued to recognize revenue under the Previous Standards:

- As described above, our transition to ASC 606 resulted in the deferral of franchise fees, recognition of franchise fees in connection with MFDA's where we received an equity interest in the equity method investee, and a change in the timing of recognizing gift card breakage income. The adjustments for the three and six months ended June 30, 2018 to reflect the recognition of this revenue as if the Previous Standards were in effect consists of a \$1.1 million and \$5.0 million increase in Franchise and property revenue, respectively, and a \$1.3 million and \$2.4 million increase in Income tax expense, respectively.
- The adjustments to (income) loss from equity method investments for the three and six months ended June 30, 2018 reflect the amount of losses from equity method investments we would not have recognized if the Previous Standards were in effect. There is no tax impact related to these adjustments.
- As described above, under the Previous Standards our statement of operations did not reflect gross presentations of advertising fund contributions and expenses. Our transition to ASC 606 requires the presentation of advertising fund contributions and advertising fund expenses on a gross basis. The adjustments for the three and six months ended June 30, 2018 to reflect advertising fund contributions and expenses as if the Previous Standards were in effect consist of a

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\$200.2 million and \$386.1 million decrease in Franchise and property revenues, respectively, a \$0.0 million and \$0.2 million decrease in Franchise and property expenses, respectively, a \$200.1 million and \$390.6 million decrease in Selling, general and administrative expenses, respectively, a \$0.7 million and \$1.2 million increase in Interest expense, net, respectively, and a \$0.2 million decrease and \$0.8 million increase in Income tax expense, respectively.

Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2018

The transition to ASC 606 had no net impact on our cash provided by operating activities and no impact on our cash provided by investing activities or cash used for financing activities during the six months ended June 30, 2018.

	As Reported	Total Adjustments	Amounts Under Previous Standards
Cash flows from operating activities:			
Net income	\$ 593.0	\$ 8.9	\$ 601.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	92.6	—	92.6
Amortization of deferred financing costs and debt issuance discount	14.5	—	14.5
(Income) loss from equity method investments	(13.1)	(3.6)	(16.7)
Loss (gain) on remeasurement of foreign denominated transactions	(16.2)	—	(16.2)
Net losses on derivatives	(14.8)	—	(14.8)
Share-based compensation expense	26.6	—	26.6
Deferred income taxes	(58.1)	3.2	(54.9)
Other	4.3	—	4.3
Changes in current assets and liabilities, excluding acquisitions and dispositions:			
Accounts and notes receivable	36.2	—	36.2
Inventories and prepaids and other current assets	(15.6)	(4.4)	(20.0)
Accounts and drafts payable	(11.4)	3.8	(7.6)
Other accrued liabilities and gift card liability	(347.4)	(2.3)	(349.7)
Other long-term assets and liabilities	(3.2)	(5.6)	(8.8)
Net cash provided by operating activities	<u>\$ 287.4</u>	<u>\$ —</u>	<u>\$ 287.4</u>

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Condensed Consolidated Balance Sheet

	As Reported June 30, 2018	Total Adjustments	Amounts Under Previous Standards
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 987.5	\$ —	\$ 987.5
Accounts and notes receivable, net	441.8	—	441.8
Inventories, net	85.5	—	85.5
Prepays and other current assets	116.1	27.4	143.5
Total current assets	1,630.9	27.4	1,658.3
Property and equipment, net	2,033.9	—	2,033.9
Intangible assets, net	10,736.4	—	10,736.4
Goodwill	5,619.9	—	5,619.9
Net investment in property leased to franchisees	61.8	—	61.8
Other assets, net	531.9	(103.0)	428.9
Total assets	\$ 20,614.8	\$ (75.6)	\$ 20,539.2
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities:			
Accounts and drafts payable	\$ 474.4	\$ 3.8	\$ 478.2
Other accrued liabilities	662.7	(11.8)	650.9
Gift card liability	102.5	43.6	146.1
Current portion of long term debt and capital leases	78.8	—	78.8
Total current liabilities	1,318.4	35.6	1,354.0
Term debt, net of current portion	11,776.0	—	11,776.0
Capital leases, net of current portion	231.1	—	231.1
Other liabilities, net	1,664.2	(431.3)	1,232.9
Deferred income taxes, net	1,400.8	61.4	1,462.2
Total liabilities	16,390.5	(334.3)	16,056.2
Shareholders' equity:			
Common shares	2,116.4	—	2,116.4
Retained earnings	607.8	138.2	746.0
Accumulated other comprehensive income (loss)	(647.4)	—	(647.4)
Total RBI shareholders' equity	2,076.8	138.2	2,215.0
Noncontrolling interests	2,147.5	120.5	2,268.0
Total shareholders' equity	4,224.3	258.7	4,483.0
Total liabilities and shareholders' equity	\$ 20,614.8	\$ (75.6)	\$ 20,539.2

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 equity awards, 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 Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Numerator:				
Net income attributable to common shareholders - basic	\$ 167.6	\$ 89.5	\$ 315.4	\$ 139.7
Add: Net income attributable to noncontrolling interests	146.4	86.1	277.2	134.6
Net income available to common shareholders and noncontrolling interests - diluted	<u>\$ 314.0</u>	<u>\$ 175.6</u>	<u>\$ 592.6</u>	<u>\$ 274.3</u>
Denominator:				
Weighted average common shares - basic	249.3	235.8	247.6	235.2
Exchange of noncontrolling interests for common shares (Note 11)	217.6	226.9	217.7	226.9
Effect of other dilutive securities	7.2	15.3	8.7	15.2
Weighted average common shares - diluted	<u>474.1</u>	<u>478.0</u>	<u>474.0</u>	<u>477.3</u>
Basic earnings per share	\$ 0.67	\$ 0.38	\$ 1.27	\$ 0.59
Diluted earnings per share	\$ 0.66	\$ 0.37	\$ 1.25	\$ 0.57
Anti-dilutive securities outstanding	5.8	4.2	5.8	4.2

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Note 6. Intangible Assets, net and Goodwill

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

	As of					
	June 30, 2018			December 31, 2017		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Identifiable assets subject to amortization:						
Franchise agreements	\$ 713.4	\$ (181.0)	\$ 532.4	\$ 724.7	\$ (168.0)	\$ 556.7
Favorable leases	443.5	(208.6)	234.9	455.7	(193.7)	262.0
Subtotal	<u>1,156.9</u>	<u>(389.6)</u>	<u>767.3</u>	<u>1,180.4</u>	<u>(361.7)</u>	<u>818.7</u>
Indefinite lived intangible assets:						
<i>Tim Hortons</i> brand	\$ 6,470.8	\$ —	\$ 6,470.8	\$ 6,727.1	\$ —	\$ 6,727.1
<i>Burger King</i> brand	2,143.4	—	2,143.4	2,161.5	—	2,161.5
<i>Popeyes</i> brand	1,354.9	—	1,354.9	1,354.9	—	1,354.9
Subtotal	<u>9,969.1</u>	<u>—</u>	<u>9,969.1</u>	<u>10,243.5</u>	<u>—</u>	<u>10,243.5</u>
Intangible assets, net			<u>\$ 10,736.4</u>			<u>\$ 11,062.2</u>
Goodwill						
Tim Hortons segment	\$ 4,168.5			\$ 4,325.8		
Burger King segment	605.6			610.7		
Popeyes segment	845.8			845.8		
Total	<u>\$ 5,619.9</u>			<u>\$ 5,782.3</u>		

Amortization expense on intangible assets totaled \$17.7 million for the three months ended June 30, 2018 and \$18.0 million for the same period in the prior year. Amortization expense on intangible assets totaled \$35.7 million for the six months ended June 30, 2018 and \$35.5 million for the same period in the prior year. The change in the brands and goodwill balances during the six months ended June 30, 2018 was due to the impact of foreign currency translation.

Note 7. Equity Method Investments

The aggregate carrying amount of our equity method investments was \$264.9 million and \$155.1 million as of June 30, 2018 and December 31, 2017, respectively, and is included as a component of Other assets, net in our accompanying condensed consolidated balance sheets. The increase in the carrying amount of our equity method investments as of June 30, 2018 compared to December 31, 2017 is primarily attributable to the recognition of investments received in connection with master franchise and development arrangements as a result of our transition to ASC 606. See Note 4, *Revenue Recognition*. TH and BK both have equity method investments. PLK does not have any equity method investments.

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 \$2.9 million and \$3.0 million during the three months ended June 30, 2018 and 2017, respectively. Distributions received from this joint venture were \$5.8 million and \$5.4 million during the six months ended June 30, 2018 and 2017, respectively.

The aggregate market value of our 20.5% equity interest in Carrols Restaurant Group, Inc. (“Carrols”) based on the quoted market price on June 30, 2018 was approximately \$139.8 million. The aggregate market value of our 10.1% equity interest in BK Brasil Operação e Assessoria a Restaurantes S.A. based on the quoted market price on June 30, 2018 was approximately \$91.3 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 Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues from affiliates:				
Royalties	\$ 73.6	\$ 43.4	\$ 141.8	\$ 81.9
Property revenues	9.0	6.6	17.8	12.9
Franchise fees and other revenue	2.4	5.3	4.7	11.0
Total	\$ 85.0	\$ 55.3	\$ 164.3	\$ 105.8

We recognized \$5.0 million and \$4.9 million of rent expense associated with the TIMWEN Partnership during the three months ended June 30, 2018 and 2017, respectively. We recognized \$9.5 million and \$9.4 million of rent expense associated with the TIMWEN Partnership during the six months ended June 30, 2018 and 2017, respectively.

At June 30, 2018 and December 31, 2017, we had \$33.9 million and \$31.9 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. During the six months ended June 30, 2018 we recorded an increase to the carrying value of our equity method investment balance and a non-cash dilution gain of \$20.4 million on the initial public offering by one of our equity method investees.

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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	
	June 30, 2018	December 31, 2017
Current:		
Dividend payable	\$ 210.1	\$ 96.9
Interest payable	88.3	88.6
Accrued compensation and benefits	53.2	66.6
Taxes payable	158.8	401.0
Deferred income	26.9	42.9
Accrued advertising expenses	24.8	27.5
Closed property reserve	10.4	10.8
Restructuring and other provisions	12.0	12.0
Other	78.2	119.4
Other accrued liabilities	<u>\$ 662.7</u>	<u>\$ 865.7</u>
Noncurrent:		
Derivatives liabilities	\$ 305.4	\$ 498.5
Taxes payable	488.2	495.6
Contract liabilities, net	455.0	10.0
Unfavorable leases	224.3	251.8
Accrued pension	68.1	72.0
Accrued lease straight-lining liability	50.9	46.4
Deferred income	29.0	27.4
Other	43.3	53.4
Other liabilities, net	<u>\$ 1,664.2</u>	<u>\$ 1,455.1</u>

Note 9. Long-Term Debt

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

	As of	
	June 30, 2018	December 31, 2017
Term Loan Facility (due February 17, 2024)	\$ 6,356.5	\$ 6,388.7
2017 4.25% Senior Notes (due May 15, 2024)	1,500.0	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)	2,800.0	2,800.0
Other	82.3	89.1
Less: unamortized deferred financing costs and deferred issue discount	(156.0)	(170.1)
Total debt, net	<u>11,832.8</u>	<u>11,857.7</u>
Less: current maturities of debt	(56.8)	(56.8)
Total long-term debt	<u>\$ 11,776.0</u>	<u>\$ 11,800.9</u>

Revolving Credit Facility

As of June 30, 2018, we had no amounts outstanding under our senior secured revolving credit facility (the "Revolving Credit Facility"). 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

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cumulative amount of outstanding letters of credit. As of June 30, 2018, we had \$4.5 million of letters of credit issued against the Revolving Credit Facility, and our borrowing availability was \$495.5 million.

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 \$11.7 billion and \$12.0 billion at June 30, 2018 and December 31, 2017, respectively, compared to a principal carrying amount of \$11.9 billion and \$11.9 billion, respectively, on the same dates.

Interest Expense, net

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Debt (a)	\$ 120.8	\$ 118.9	\$ 250.2	\$ 218.9
Capital lease obligations	5.4	5.0	11.5	10.0
Amortization of deferred financing costs and debt issuance discount	7.3	8.2	14.5	16.7
Interest income	(3.7)	(4.1)	(6.3)	(6.2)
Interest expense, net	\$ 129.8	\$ 128.0	\$ 269.9	\$ 239.4

- (a) Amount includes \$19.9 million and \$23.5 million benefit during the three and six months ended June 30, 2018 from our adoption of a new hedge accounting standard. See Note 3, *New Accounting Pronouncements*, for further details of the effects of this change in accounting principle on Interest expense, net.

Note 10. Income Taxes

Our effective tax rate was 15.7% and 9.2% for the three and six months ended June 30, 2018, respectively. The effective tax rate during these periods was primarily a result of the mix of income from multiple tax jurisdictions, the benefit from reserve releases due to audit settlements and the realignment of various internal financing arrangements. In addition, benefits from stock option exercises reduced the effective tax rate by 0.6% and 10.1% for the three and six months ended June 30, 2018, respectively.

Our effective tax rate was 15.0% and 16.4% for the three and six months ended June 30, 2017, respectively. The effective tax rate during these periods was primarily a result of the mix of income from multiple tax jurisdictions, the favorable impact of our internal financing structure and benefits from stock option exercises that reduced the effective tax rate by 2.9% and 3.3% for the three and six months ended June 30, 2017, respectively, partially offset by non-deductible transaction related costs.

Note 11. Shareholders' Equity

Noncontrolling Interests

The holders of Partnership exchangeable units held an economic interest of approximately 46.6% and 47.2% in Partnership common equity through the ownership of 217,636,569 and 217,708,924 Partnership exchangeable units as of June 30, 2018 and December 31, 2017, respectively.

During the six months ended June 30, 2018, Partnership exchanged 72,355 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.

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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 Currency Translation	Accumulated Other Comprehensive Income (Loss)
Balances at December 31, 2017	\$ 96.8	\$ (15.3)	\$ (557.2)	\$ (475.7)
Foreign currency translation adjustment	—	—	(472.4)	(472.4)
Net change in fair value of derivatives, net of tax	143.6	—	—	143.6
Amounts reclassified to earnings of cash flow hedges, net of tax	6.2	—	—	6.2
Pension and post-retirement benefit plans, net of tax	—	0.2	—	0.2
Amounts attributable to noncontrolling interests	(70.0)	(0.1)	220.8	150.7
Balances at June 30, 2018	<u>\$ 176.6</u>	<u>\$ (15.2)</u>	<u>\$ (808.8)</u>	<u>\$ (647.4)</u>

Note 12. 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 2018, we entered into a series of receive-variable, pay-fixed interest rate swaps with a notional value of \$3,500.0 million to hedge the variability in the interest payments on a portion of our senior secured term loan facility (the "Term Loan Facility") beginning March 29, 2018 through the expiration of the final swap on February 17, 2024, resetting each March. At inception, these interest rate swaps were designated as cash flow hedges for hedge accounting. The unrealized changes in market value are recorded in AOCI and reclassified into earnings during the period in which the hedged forecasted transaction affects earnings.

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. All of these interest rate swaps were settled on April 26, 2018 for an insignificant cash receipt. At inception, these interest rate swaps were designated as cash flow hedges for hedge accounting. The unrealized changes in market value were recorded in AOCI and reclassified into earnings during the period in which the hedged forecasted transaction affects 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 June 30, 2018 that we expect to be reclassified into interest expense within the next 12 months is \$12.3 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 June 30, 2018, 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.

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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 was 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 June 30, 2018, 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.

The fixed to fixed cross-currency rate swaps hedging Canadian dollar and Euro net investments utilized the forward method of effectiveness assessment prior to March 15, 2018. On March 15, 2018, we dedesignated and subsequently redesignated the outstanding fixed to fixed cross-currency rate swaps to prospectively use the spot method of hedge effectiveness assessment. We also elected to amortize the excluded component over the life of the derivative instrument. The amortization of the excluded component is recognized in Interest expense, net in the condensed consolidated statement of operations. The change in fair value that is not related to the excluded component is recorded in AOCI and will be reclassified to earnings when the foreign subsidiaries are sold or substantially liquidated. See Note 3, *New Accounting Pronouncements*, for further information on the adoption of this new guidance.

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 June 30, 2018, 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 August 2019. We have designated these instruments as cash flow hedges, and as such, the unrealized changes in market value of effective hedges are recorded in AOCI and are reclassified into earnings during the period in which the hedged forecasted transaction affects 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.

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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 or (Loss) Recognized in Other Comprehensive Income (Loss)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Derivatives designated as cash flow hedges⁽¹⁾				
Interest rate swaps	\$ (4.3)	\$ (15.4)	\$ 24.4	\$ (20.4)
Forward-currency contracts	\$ 3.3	\$ (7.0)	\$ 13.3	\$ (5.5)
Derivatives designated as net investment hedges				
Cross-currency rate swaps	\$ 142.8	\$ (124.1)	\$ 153.9	\$ (178.3)

(1) We did not exclude any components from the cash flow hedge relationships presented in this table.

	Location of Gain or (Loss) Reclassified from AOCI into Earnings	Gain or (Loss) Reclassified from AOCI into Earnings			
		Three Months Ended June 30,		Six Months Ended June 30,	
		2018	2017	2018	2017
Derivatives designated as cash flow hedges					
Interest rate swaps	Interest expense, net	\$ (5.6)	\$ (9.0)	\$ (11.1)	\$ (14.9)
Forward-currency contracts	Cost of sales	\$ 0.2	\$ (0.8)	\$ 2.6	\$ 0.1

	Location of Gain or (Loss) Recognized in Earnings	Gain or (Loss) Recognized in Earnings (Amount Excluded from Effectiveness Testing)			
		Three Months Ended June 30,		Six Months Ended June 30,	
		2018	2017	2018	2017
Derivatives designated as net investment hedges					
Cross-currency rate swaps	Interest expense, net	\$ 19.9	\$ —	\$ 23.5	\$ —

	Fair Value as of		Balance Sheet Location
	June 30, 2018	December 31, 2017	
Assets:			
Derivatives designated as cash flow hedges			
Foreign currency	\$ 6.3	\$ 0.5	Prepays and other current assets
Total assets at fair value	\$ 6.3	\$ 0.5	
Liabilities:			
Derivatives designated as cash flow hedges			
Interest rate	\$ 12.7	\$ 42.1	Other liabilities, net
Foreign currency	0.3	5.1	Other accrued liabilities
Derivatives designated as net investment hedges			
Foreign currency	292.7	456.4	Other liabilities, net
Total liabilities at fair value	\$ 305.7	\$ 503.6	

Note 13. Other Operating Expenses (Income), net

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net losses (gains) on disposal of assets, restaurant closures, and refranchisings	\$ 3.0	\$ 8.6	\$ 9.7	\$ 11.5
Litigation settlements (gains) and reserves, net	0.4	1.1	(5.7)	1.1
Net losses (gains) on foreign exchange	(32.6)	36.8	(16.2)	47.2
Other, net	(0.2)	0.3	(4.5)	0.8
Other operating expenses (income), net	\$ (29.4)	\$ 46.8	\$ (16.7)	\$ 60.6

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.

The litigation settlement gain during the six months ended June 30, 2018 primarily reflects proceeds received from the successful resolution of a legacy BK litigation matter.

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

Note 14. Commitments and Contingencies

Litigation

From time to time, we are involved in legal proceedings arising in the ordinary course of business relating to matters including, but not limited to, disputes with franchisees, suppliers, employees and customers, as well as disputes over our intellectual property.

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.

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 Franchise 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.

On July 24, 2018, a complaint for declaratory relief was filed against Tim Hortons USA, Inc. ("THUSA") and Restaurant Brands International Limited Partnership in the Circuit Court of the 11th Judicial Circuit in Miami-Dade County, Florida by Great White North Franchise Association - USA, Inc., on behalf of its members. The complaint alleges certain breaches of the franchise agreements between THUSA and its franchisees and the implied covenant of good faith and fair dealing, as well as violations of the U.S. franchise rules and the Florida Deceptive and Unfair Trade Practices Act.

While we believe the claims are without merit and intend to vigorously defend against these lawsuits, we are unable to predict the ultimate outcome of these cases or estimate the range of possible loss, if any.

Note 15. 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. Our business generates revenue from the following sources: (i) franchise revenues, consisting primarily of royalties based on a percentage of sales reported by franchise restaurants and franchise fees paid by franchisees; (ii) property revenues from properties we lease or sublease to franchisees; and (iii) sales at Company restaurants. In addition, our TH business generates revenue from sales to franchisees related to our supply chain operations, including manufacturing, procurement, warehousing and distribution, as well as sales to retailers.

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.

As stated in Note 4, *Revenue Recognition*, we transitioned to ASC 606 on January 1, 2018 using the modified retrospective transition method. Our Financial Statements reflect the application of ASC 606 guidance beginning in 2018, while our Financial Statements for prior periods were prepared under the guidance of the Previous Standards. For comparability purposes, we have disclosed 2018 total revenues by operating segment under the Previous Standards as well as segment income with a reconciliation to net income under the Previous Standards. See Note 4, *Revenue Recognition*, for further details of the effects of this change in accounting principle on total revenues and net income.

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018 As Reported	2018 Amounts Under Previous Standards	2017	2018 As Reported	2018 Amounts Under Previous Standards	2017
Revenues by operating segment:						
TH	\$ 823.0	\$ 770.3	\$ 772.3	\$ 1,586.5	\$ 1,482.1	\$ 1,505.9
BK	418.1	306.2	293.7	808.0	599.0	560.7
PLK	102.3	67.8	66.7	202.7	135.0	66.7
Total revenues	\$ 1,343.4	\$ 1,144.3	\$ 1,132.7	\$ 2,597.2	\$ 2,216.1	\$ 2,133.3

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues by country (a):				
Canada	\$ 745.3	\$ 687.9	\$ 1,437.7	\$ 1,344.9
United States	450.8	313.2	871.5	545.6
Other	147.3	131.6	288.0	242.8
Total revenues	\$ 1,343.4	\$ 1,132.7	\$ 2,597.2	\$ 2,133.3

(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”), Corporate restructuring and tax advisory fees related to the interpretation and implementation of comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act enacted by the U.S. government on December 22, 2017 and non-operational Office centralization and relocation costs in connection with the centralization and relocation of our Canadian and U.S. restaurant support centers to new offices in Toronto, Ontario, and Miami, Florida, respectively. 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 Ended June 30,			Six Months Ended June 30,		
	2018 As Reported	2018 Amounts Under Previous Standards	2017	2018 As Reported	2018 Amounts Under Previous Standards	2017
Segment income:						
TH	\$ 285.5	\$ 288.6	\$ 281.1	\$ 530.7	\$ 539.1	\$ 537.3
BK	236.4	232.0	216.8	450.5	447.0	403.9
PLK	40.2	42.5	33.2	78.7	83.3	33.2
Adjusted EBITDA	562.1	563.1	531.1	1,059.9	1,069.4	974.4
Share-based compensation and non-cash incentive compensation expense	15.5	15.5	11.9	30.8	30.8	30.4
PLK Transaction costs	4.6	4.6	8.5	9.7	9.7	42.9
Corporate restructuring and tax advisory fees	6.4	6.4	—	13.5	13.5	—
Office centralization and relocation costs	12.4	12.4	—	12.4	12.4	—
Impact of equity method investments (a)	4.4	0.8	4.1	(5.6)	(9.2)	1.2
Other operating expenses (income), net	(29.4)	(29.4)	46.8	(16.7)	(16.7)	60.6
EBITDA	548.2	552.8	459.8	1,015.8	1,028.9	839.3
Depreciation and amortization	45.5	45.5	45.4	92.5	92.3	88.7
Income from operations	502.7	507.3	414.4	923.3	936.6	750.6
Interest expense, net	129.8	130.5	128.0	269.9	271.1	239.4
Loss on early extinguishment of debt	—	—	—	—	—	20.4
Income tax expense	58.7	59.8	42.9	60.4	63.6	80.7
Net income	\$ 314.2	\$ 317.0	\$ 243.5	\$ 593.0	\$ 601.9	\$ 410.1

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

Note 16. Subsequent Events

Dividends

On July 3, 2018, we paid a cash dividend of \$0.45 per common share to common shareholders of record on May 15, 2018. On such date, Partnership also made a distribution in respect of each Partnership exchangeable unit in the amount of \$0.45 per exchangeable unit to holders of record on May 15, 2018.

Our board of directors has declared a cash dividend of \$0.45 per common share, which will be paid on October 1, 2018 to common shareholders of record on September 7, 2018. Partnership will also make a distribution in respect of each Partnership exchangeable unit in the amount of \$0.45 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.

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 Restaurant Brands International Inc. 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 for Burger King and its consolidated subsidiaries. On March 27, 2017, we acquired Popeyes Louisiana Kitchen, Inc. and its consolidated subsidiaries (the "Popeyes Acquisition"). We are one of the world's largest quick service restaurant ("QSR") companies with more than \$30 billion in system-wide sales and over 24,000 restaurants in more than 100 countries and U.S. territories as of June 30, 2018. 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 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"). Our business generates revenue from the following sources: (i) franchise revenues, consisting primarily of royalties based on a percentage of sales reported by franchise restaurants and franchise fees paid by franchisees; (ii) property revenues from properties we lease or sublease to franchisees; and (iii) sales at restaurants owned by us ("Company restaurants"). In addition, our Tim Hortons business generates revenue from sales to franchisees related to our supply chain operations, including manufacturing, procurement, warehousing and distribution, as well as sales to retailers.

Operating Metrics

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

- 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.
- 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 13 months or longer for TH and BK and 17 months or longer for PLK.
- 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.
- Unless otherwise stated, system-wide sales growth, system-wide sales and comparable sales are presented on a system-wide basis, which means they include franchise restaurants and Company restaurants. System-wide results are driven by our franchise restaurants, as approximately 100% of current system-wide restaurants are franchised. Franchise sales represent sales at all franchise restaurants and are revenues to our franchisees. We do not record franchise sales as revenues; however, our royalty revenues are calculated based on a percentage of franchise sales.
- Net restaurant growth reflects the percentage change 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.

Recent Events and Factors Affecting Comparability

Transition to New Revenue Recognition Accounting Standard

We transitioned to Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (“ASC 606”), effective January 1, 2018 using the modified retrospective method. Our consolidated financial statements for 2018 reflect the application of ASC 606 guidance, while our consolidated financial statements for 2017 were prepared under the guidance of previously applicable accounting standards.

The most significant effects of this transition that affect comparability of our results of operations between 2018 and 2017 include the following:

- Franchise fee revenue for franchise agreements entered into subsequent to the acquisitions of BK in 2010, TH in 2014 and PLK in 2017 are deferred and amortized over the franchise agreement term beginning in 2018 compared to upfront recognition in 2017 under previously applicable accounting standards. Franchise fees associated with acquired franchise agreements are not included in franchise fee revenue under ASC 606. Consequently, we expect the impact to be greater in those periods in which more openings occur.
- Advertising fund contributions and advertising fund expenses are reflected on a gross basis in our 2018 statement of operations and there may be a difference in timing for recognition of advertising fund contributions and advertising fund expenses beginning in 2018. Under previously applicable accounting standards, our statement of operations did not reflect gross advertising fund contributions and advertising fund expenses and temporary net differences between contributions and expenses due to the timing of expenses were reflected as current assets or current liabilities on our consolidated balance sheet.
- The portion of gift cards sold to customers which are never redeemed is commonly referred to as gift card breakage. Under ASC 606, we recognize gift card breakage income proportionately as each gift card is redeemed using an estimated breakage rate based on our historical experience. Under the Previous Standards, we recognized gift card breakage income for each gift card’s remaining balance when redemption of that balance was deemed remote. This change may impact the timing of when gift card breakage income is recognized.

Please refer to Note 4, *Revenue Recognition*, to the accompanying unaudited condensed consolidated financial statements for further details of the effects of this change in accounting principle.

PLK Transaction Costs

In connection with the Popeyes Acquisition, we incurred certain non-recurring fees and expenses (“PLK Transaction costs”) totaling \$4.6 million and \$8.5 million during the three months ended June 30, 2018 and 2017, respectively, and \$9.7 million and \$42.9 million during the six months ended June 30, 2018 and 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 statements of operations. We do not expect to incur any additional PLK Transaction costs.

Tax Reform

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”) that significantly revises the U.S. tax code generally effective January 1, 2018 by, among other changes, lowering the corporate income tax rate from 35% to 21%, limiting deductibility of interest expense and performance based incentive compensation and implementing a modified territorial tax system. As a Canadian entity, we generally would be classified as a foreign entity (and, therefore, a non-U.S. tax resident) under general rules of U.S. federal income taxation. However, we have subsidiaries subject to U.S. federal income taxation and therefore the Tax Act impacted our consolidated results of operations in the current period, and is expected to continue to impact our consolidated results of operations in future periods.

Also on December 22, 2017, the Securities and Exchange Commission (the “SEC”) staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. SAB 118 provides that companies (i) should record the effects of the changes from the Tax Act for which accounting is complete (not provisional), (ii) should record provisional amounts for the effects of the changes from the Tax Act for which accounting is not complete, and for which reasonable estimates can be determined, in the period they are identified, and (iii) should not record provisional amounts if reasonable estimates cannot be made for the effects of the changes from the Tax Act, and should continue to apply guidance based on the tax law in effect prior to the enactment on December 22, 2017. In addition, SAB 118 established a one-year measurement period (through December 22, 2018) where a provisional amount could be subject to adjustment, and requires certain qualitative and quantitative disclosures related to provisional amounts and accounting during the measurement period. We have not completed the accounting for the tax effects of the enactment of the Tax Act and we have not recorded any adjustments during 2018 to the provisional amounts recorded in December 2017.

We recorded \$6.4 million and \$13.5 million of costs arising primarily from professional advisory and consulting services associated with corporate restructuring initiatives related to the interpretation and implementation of the Tax Act (“Corporate restructuring and tax advisory fees”) during the three and six months ended June 30, 2018. We expect to continue to incur additional Corporate restructuring and tax advisory fees related to the Tax Act in 2018.

Office centralization and relocation costs

In connection with the centralization and relocation of our Canadian and U.S. restaurant support centers to new offices in Toronto, Ontario, and Miami, Florida, respectively, we incurred certain non-operational expenses (“Office centralization and relocation costs”) totaling \$12.4 million during the three and six months ended June 30, 2018, consisting primarily of duplicate rent expense, moving costs, and relocation-driven compensation expenses, which are classified as selling, general and administrative expenses in the condensed consolidated statements of operations.

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Results of Operations for the Three and Six Months Ended June 30, 2018 and 2017

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

<i>Consolidated</i>	Three Months Ended June 30,		Variance	FX Impact (a)	Variance Excluding FX Impact	Six Months Ended June 30,		Variance	FX Impact (a)	Variance Excluding FX Impact
	2018	2017				Favorable / (Unfavorable)				
Revenues:										
Sales	\$ 586.2	\$ 602.1	\$ (15.9)	\$ 20.3	\$ (36.2)	\$ 1,134.0	\$ 1,152.5	\$ (18.5)	\$ 42.0	\$ (60.5)
Franchise and property revenues	757.2	530.6	226.6	10.3	216.3	1,463.2	980.8	482.4	26.2	456.2
Total revenues	1,343.4	1,132.7	210.7	30.6	180.1	2,597.2	2,133.3	463.9	68.2	395.7
Operating costs and expenses:										
Cost of sales	448.9	460.2	11.3	(15.4)	26.7	878.0	883.6	5.6	(32.0)	37.6
Franchise and property expenses	102.4	113.7	11.3	(3.3)	14.6	206.8	224.7	17.9	(7.2)	25.1
Selling, general and administrative expenses	317.6	96.7	(220.9)	(2.0)	(218.9)	618.9	218.6	(400.3)	(4.8)	(395.5)
(Income) loss from equity method investments	1.2	0.9	(0.3)	0.3	(0.6)	(13.1)	(4.8)	8.3	0.2	8.1
Other operating expenses (income), net	(29.4)	46.8	76.2	(3.3)	79.5	(16.7)	60.6	77.3	(4.6)	81.9
Total operating costs and expenses	840.7	718.3	(122.4)	(23.7)	(98.7)	1,673.9	1,382.7	(291.2)	(48.4)	(242.8)
Income from operations	502.7	414.4	88.3	6.9	81.4	923.3	750.6	172.7	19.8	152.9
Interest expense, net	129.8	128.0	(1.8)	(0.1)	(1.7)	269.9	239.4	(30.5)	(0.3)	(30.2)
Loss on early extinguishment of debt	—	—	—	—	—	—	20.4	20.4	—	20.4
Income before income taxes	372.9	286.4	86.5	6.8	79.7	653.4	490.8	162.6	19.5	143.1
Income tax expense	58.7	42.9	(15.8)	—	(15.8)	60.4	80.7	20.3	(1.3)	21.6
Net income	\$ 314.2	\$ 243.5	\$ 70.7	\$ 6.8	\$ 63.9	\$ 593.0	\$ 410.1	\$ 182.9	\$ 18.2	\$ 164.7

- (a) For items included in our results of operations, we calculate the FX Impact by translating prior year results at current year monthly average exchange rates. We analyze these results on a constant currency basis as this helps identify underlying business trends, without distortion from the effects of currency movements.

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TH Segment	Three Months Ended June 30,		Variance	FX Impact (a)	Variance Excluding FX Impact	Six Months Ended June 30,		Variance	FX Impact (a)	Variance Excluding FX Impact
	2018	2017				2018	2017			
	Favorable / (Unfavorable)			Favorable / (Unfavorable)						
Revenues:										
Sales	\$ 548.0	\$ 553.9	\$ (5.9)	\$ 20.2	\$ (26.1)	\$ 1,056.3	\$ 1,081.3	\$ (25.0)	\$ 41.6	\$ (66.6)
Franchise and property revenues	275.0	218.4	56.6	7.9	48.7	530.2	424.6	105.6	16.3	89.3
Total revenues	823.0	772.3	50.7	28.1	22.6	1,586.5	1,505.9	80.6	57.9	22.7
Cost of sales	417.4	417.1	(0.3)	(15.3)	15.0	813.3	819.6	6.3	(31.7)	38.0
Franchise and property expenses	68.8	79.8	11.0	(2.9)	13.9	138.3	157.5	19.2	(6.1)	25.3
Segment SG&A	80.3	22.2	(58.1)	(0.6)	(57.5)	162.6	47.3	(115.3)	(1.3)	(114.0)
Segment depreciation and amortization ^(b)	25.8	24.7	(1.1)	(0.8)	(0.3)	52.1	49.8	(2.3)	(1.8)	(0.5)
Segment income ^(c)	285.5	281.1	4.4	10.4	(6.0)	530.7	537.3	(6.6)	21.0	(27.6)

(b) Segment depreciation and amortization consists of depreciation and amortization included in cost of sales and franchise and property expenses.

(c) TH segment income includes \$3.2 million of cash distributions received from equity method investments for the three months ended June 30, 2018 and 2017. TH segment income includes \$6.3 million and \$6.0 million of cash distributions received from equity method investments for the six months ended June 30, 2018 and 2017, respectively.

BK Segment	Three Months Ended June 30,		Variance	FX Impact (a)	Variance Excluding FX Impact	Six Months Ended June 30,		Variance	FX Impact (a)	Variance Excluding FX Impact
	2018	2017				2018	2017			
	Favorable / (Unfavorable)			Favorable / (Unfavorable)						
Revenues:										
Sales	\$ 18.9	\$ 25.2	\$ (6.3)	\$ 0.1	\$ (6.4)	\$ 37.6	\$ 48.2	\$ (10.6)	\$ 0.4	\$ (11.0)
Franchise and property revenues	399.2	268.5	130.7	2.5	128.2	770.4	512.5	257.9	10.0	247.9
Total revenues	418.1	293.7	124.4	2.6	121.8	808.0	560.7	247.3	10.4	236.9
Cost of sales	16.7	23.9	7.2	(0.1)	7.3	33.1	44.8	11.7	(0.3)	12.0
Franchise and property expenses	31.4	31.6	0.2	(0.4)	0.6	63.9	64.9	1.0	(1.1)	2.1
Segment SG&A	145.5	34.1	(111.4)	(0.9)	(110.5)	285.8	72.3	(213.5)	(2.3)	(211.2)
Segment depreciation and amortization ^(b)	11.9	12.7	0.8	(0.2)	1.0	24.1	25.2	1.1	(0.5)	1.6
Segment income ^(d)	236.4	216.8	19.6	1.4	18.2	450.5	403.9	46.6	7.2	39.4

(d) BK segment income includes \$1.2 million of cash distributions received from equity method investments for the six months ended June 30, 2018.

PLK Segment	Three Months Ended June 30,		Variance	FX Impact (a)	Variance Excluding FX Impact	Six Months Ended June 30,		Variance	FX Impact (a)	Variance Excluding FX Impact
	2018	2017				2018	2017			
	Favorable / (Unfavorable)			Favorable / (Unfavorable)						
Revenues:										
Sales	\$ 19.3	\$ 23.0	\$ (3.7)	\$ —	\$ (3.7)	\$ 40.1	\$ 23.0	\$ 17.1	\$ —	\$ 17.1
Franchise and property revenues	83.0	43.7	39.3	(0.1)	39.4	162.6	43.7	118.9	(0.1)	119.0
Total revenues	102.3	66.7	35.6	(0.1)	35.7	202.7	66.7	136.0	(0.1)	136.1
Cost of sales	14.8	19.2	4.4	—	4.4	31.6	19.2	(12.4)	—	(12.4)
Franchise and property expenses	2.2	2.3	0.1	—	0.1	4.6	2.3	(2.3)	—	(2.3)
Segment SG&A	47.6	14.4	(33.2)	—	(33.2)	93.0	14.4	(78.6)	—	(78.6)
Segment depreciation and amortization ^(b)	2.5	2.4	(0.1)	—	(0.1)	5.2	2.4	(2.8)	—	(2.8)
Segment income	40.2	33.2	7.0	(0.1)	7.1	78.7	33.2	45.5	(0.1)	45.6

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<i>Key Business Metrics</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
System-wide sales growth				
TH	2.2%	2.6 %	2.1 %	2.9 %
BK	8.4%	10.6 %	9.8 %	8.5 %
PLK	10.7%	3.3 %	10.8 %	4.7 %
System-wide sales				
TH	\$ 1,741.7	\$ 1,645.9	\$ 3,349.4	\$ 3,159.9
BK	\$ 5,403.4	\$ 4,961.1	\$ 10,552.3	\$ 9,438.1
PLK	\$ 937.6	\$ 890.4	\$ 1,841.3	\$ 1,726.2
Comparable sales				
TH	—%	(0.8)%	(0.1)%	(0.4)%
BK	1.8%	3.9 %	2.8 %	2.0 %
PLK	2.9%	(2.7)%	3.1 %	(1.4)%
			As of	
			June 30, 2018	June 30, 2017
Net restaurant growth				
TH			3.0 %	4.3 %
BK			6.4 %	6.0 %
PLK ^(e)			7.5 %	5.3 %
Restaurant count				
TH			4,794	4,655
BK			17,022	16,000
PLK			2,975	2,768

(e) For 2017, PLK net restaurant growth is for the period from July 10, 2016 through June 30, 2017.

Comparable Sales

TH comparable sales were flat during the three months ended June 30, 2018, reflecting Canada comparable sales of 0.3%, offset by softness in the U.S. Comparable sales in Canada reflect growth in cold beverages, breakfast foods and lunch, while softness in the U.S. was driven by weaker sales of brewed coffee and baked goods, partially offset by strength in breakfast foods and cold beverages. For the six months ended June 30, 2018, TH comparable sales were relatively flat, reflecting Canada comparable sales of 0.2%.

BK comparable sales of 1.8% during the three months ended June 30, 2018, reflect U.S. comparable sales of 1.8% and growth in many of our large international markets. Our results in the U.S. were a result of strength from our promotional offers and product innovation. Internationally, our comparable sales reflected strength in markets like Russia and Turkey, partially offset by softer comparable sales in Germany and Australia. For the six months ended June 30, 2018, BK comparable sales of 2.8% reflect U.S. comparable sales of 2.9%.

PLK comparable sales of 2.9% during the three months ended June 30, 2018, were driven by U.S. comparable sales of 1.8%, and, to a lesser extent significant strength in international markets including Canada and Turkey. Our results in the U.S. reflect a continuation of improved balance in our menu across price points and successful limited time offers, as well as benefits from our delivery test. For the six months ended June 30, 2018, PLK comparable sales of 3.1% reflect U.S. comparable sales 2.0%.

Sales and Cost of Sales

Sales include TH supply chain sales and sales from Company restaurants. TH supply chain sales represent sales of products, supplies and restaurant equipment, as well as sales to retailers. In periods prior to January 1, 2018, we classified revenues derived from sales of equipment packages at the establishment of a restaurant and in connection with renewal or renovation as franchise and property revenues. Sales from Company restaurants, including sales by our consolidated TH Restaurant VIEs, represent restaurant-level sales to our guests.

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Cost of sales includes costs associated with the management of our TH supply chain, including cost of goods, direct labor and depreciation, as well as the cost of products sold to retailers. Cost of sales also includes food, paper and labor costs of Company restaurants. In periods prior to January 1, 2018, we classified costs related to sales of equipment packages at the establishment of a restaurant and in connection with renewal or renovation as franchise and property expenses.

During the three months ended June 30, 2018, the decrease in sales was driven by a decrease of \$26.1 million in our TH segment, a decrease of \$6.4 million in our BK segment and a decrease of \$3.7 million in our PLK segment, partially offset by a favorable FX Impact of \$20.3 million. The decrease in our TH segment was driven by a \$13.2 million decrease in our TH Company restaurant revenue, primarily from the conversion of Restaurant VIEs to franchise restaurants, and a \$12.9 million decrease in supply chain sales. The decrease in supply chain sales was primarily due to the lapping of last year's roll-out of espresso equipment and related espresso inventory which benefited our results in the second quarter of 2017, partially offset by the reclassification of revenue from the sales of equipment packages from franchise and property revenues to sales beginning January 1, 2018.

During the six months ended June 30, 2018, the decrease in sales was driven by a decrease of \$66.6 million in our TH segment and a decrease of \$11.0 million in our BK segment, partially offset by an increase of \$17.1 million in our PLK segment, primarily as a result of including PLK for a full six months in 2018 compared to three months in 2017, and a favorable FX Impact of \$42.0 million. The decrease in our TH segment was driven by a \$37.9 million decrease in supply chain sales, primarily due to the lapping of last year's roll-out of espresso equipment and related espresso inventory which benefited our results in the first half of 2017, partially offset by the reclassification of revenue from the sales of equipment packages from franchise and property revenues to sales beginning January 1, 2018, and a \$28.7 million decrease in our TH Company restaurant revenue, primarily from the conversion of Restaurant VIEs to franchise restaurants.

During the three months ended June 30, 2018, the decrease in cost of sales was driven primarily by a decrease of \$15.0 million in our TH segment, a decrease of \$7.3 million in our BK segment and a decrease of \$4.4 million in our PLK segment, partially offset by a \$15.4 million unfavorable FX Impact. The decrease in our TH segment was primarily due to a decrease of \$8.4 million in Company restaurant cost of sales, primarily from the conversion of Restaurant VIEs to franchise restaurants, and a decrease of \$6.6 million in supply chain cost of sales driven by the decrease in supply chain sales described above.

During the six months ended June 30, 2018, the decrease in cost of sales was driven primarily by a decrease of \$38.0 million in our TH segment and a decrease of \$12.0 million in our BK segment, partially offset by an increase of \$12.4 million in our PLK segment, primarily as a result of including PLK for a full six months in 2018 compared to three months in 2017, and a \$32.0 million unfavorable FX Impact. The decrease in our TH segment was primarily due to a decrease of \$16.2 million in supply chain cost of sales driven by the decrease in supply chain sales described above and a decrease of \$21.8 million 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, and other revenue. Franchise and property expenses consist primarily of depreciation of properties leased to franchisees, rental expense associated with properties subleased to franchisees, amortization of franchise agreements, and bad debt expense (recoveries). In periods prior to January 1, 2018, franchise and property revenues and franchise and property expenses included revenues and cost of sales, respectively, related to equipment packages sold at establishment of a restaurant and in connection with renewals or renovations.

During the three months ended June 30, 2018, the increase in franchise and property revenues was driven by an increase of \$128.2 million in our BK segment, an increase of \$48.7 million in our TH segment, an increase of \$39.4 million in our PLK segment and a \$10.3 million favorable FX Impact. The increase in our BK, TH and PLK segments reflects the inclusion of advertising fund contributions from franchisees as a result of the application of ASC 606 beginning January 1, 2018 and, to a lesser degree, an increase in royalties driven by system-wide sales growth. The increase in our TH segment was partially offset by the reclassification of revenue from the sales of equipment packages from franchise and property revenues to sales beginning January 1, 2018.

During the six months ended June 30, 2018, the increase in franchise and property revenues was driven by an increase of \$247.9 million in our BK segment, an increase of \$119.0 million in our PLK segment, primarily as a result of including PLK for a full six months in 2018 compared to three months in 2017, an increase of \$89.3 million in our TH segment, and a \$26.2 million favorable FX Impact. The increase in our BK, TH and PLK segments reflects the inclusion of advertising fund contributions from franchisees as a result of the application of ASC 606 beginning January 1, 2018 and, to a lesser degree, an increase in royalties driven by system-wide sales growth. The increase in our TH segment was partially offset by the

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reclassification of revenue from the sales of equipment packages from franchise and property revenues to sales beginning January 1, 2018.

During the three months ended June 30, 2018, the decrease in franchise and property expenses was driven by a decrease of \$13.9 million in our TH segment, a decrease of \$0.6 million in our BK segment and a decrease of \$0.1 million in our PLK segment, partially offset by a \$3.3 million unfavorable FX Impact. The decrease in our TH segment was primarily due to the reclassification of expenses from sales of equipment packages from franchise and property expenses to cost of sales beginning January 1, 2018.

During the six months ended June 30, 2018, the decrease in franchise and property expenses was driven by a decrease of \$25.3 million in our TH segment and a decrease of \$2.1 million in our BK segment, partially offset by an increase of \$2.3 million in our PLK segment, primarily as a result of including PLK for a full six months in 2018 compared to three months in 2017, and a \$7.2 million unfavorable FX Impact. The decrease in our TH segment was primarily due to the reclassification of expenses from sales of equipment packages from franchise and property expenses to cost of sales beginning January 1, 2018.

Selling, General and Administrative Expenses

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

	Three Months Ended		Variance	Six Months Ended		Variance
	June 30,		\$	June 30,		\$
	2018	2017	Favorable / (Unfavorable)	2018	2017	Favorable / (Unfavorable)
Segment SG&A:						
TH	\$ 80.3	\$ 22.2	\$ (58.1)	\$ 162.6	\$ 47.3	\$ (115.3)
BK	145.5	34.1	(111.4)	285.8	72.3	(213.5)
PLK	47.6	14.4	(33.2)	93.0	14.4	(78.6)
Share-based compensation and non-cash incentive compensation expense	15.5	11.9	(3.6)	30.8	30.4	(0.4)
Depreciation and amortization	5.3	5.6	0.3	11.1	11.3	0.2
PLK Transaction costs	4.6	8.5	3.9	9.7	42.9	33.2
Corporate restructuring and tax advisory fees	6.4	—	(6.4)	13.5	—	(13.5)
Office centralization and relocation costs	12.4	—	(12.4)	12.4	—	(12.4)
Selling, general and administrative expenses	<u>\$ 317.6</u>	<u>\$ 96.7</u>	<u>\$ (220.9)</u>	<u>\$ 618.9</u>	<u>\$ 218.6</u>	<u>\$ (400.3)</u>

Upon our transition to ASC 606 on January 1, 2018, segment selling, general and administrative expenses (“Segment SG&A”) include segment selling expenses, which consist primarily of advertising fund expenses, 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. Prior to our transition to ASC 606 on January 1, 2018, our statement of operations did not reflect advertising fund contributions or advertising fund expenses, since such amounts were netted under previously applicable accounting standards. Segment SG&A excludes share-based compensation and non-cash incentive compensation expense, depreciation and amortization, PLK Transaction costs, Corporate restructuring and tax advisory fees and Office centralization and relocation costs.

During the three and six months ended June 30, 2018, TH, BK and PLK Segment SG&A increased primarily due to the inclusion of advertising fund expenses from the application of ASC 606 beginning January 1, 2018 and an unfavorable FX Impact.

During the three months ended June 30, 2018, the increase in share-based compensation and non-cash incentive compensation expense was due primarily to an increase in the number of equity awards granted during 2018 and an increase in non-cash incentive compensation expense.

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(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.

The change in (income) loss from equity method investments during the six months ended June 30, 2018 was primarily driven by the current year recognition of a \$20.4 million non-cash dilution gain on the initial public offering by one of our equity method investees, partially offset by an increase in equity method investment net losses that we recognized during the current year.

Other Operating Expenses (Income), net

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net losses (gains) on disposal of assets, restaurant closures, and refranchisings	\$ 3.0	\$ 8.6	\$ 9.7	\$ 11.5
Litigation settlements (gains) and reserves, net	0.4	1.1	(5.7)	1.1
Net losses (gains) on foreign exchange	(32.6)	36.8	(16.2)	47.2
Other, net	(0.2)	0.3	(4.5)	0.8
Other operating expenses (income), net	<u>\$ (29.4)</u>	<u>\$ 46.8</u>	<u>\$ (16.7)</u>	<u>\$ 60.6</u>

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.

The litigation settlement gain during the six months ended June 30, 2018 primarily reflects proceeds received from the successful resolution of a legacy BK litigation matter.

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 Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest expense, net	\$ 129.8	\$ 128.0	\$ 269.9	\$ 239.4
Weighted average interest rate on long-term debt	4.8%	4.7%	4.7%	4.9%

During the three and six months ended June 30, 2018, 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 a \$19.9 million and \$23.5 million benefit during the three and six months ended June 30, 2018 from our adoption of the new hedge accounting standard. Please refer to Note 3, *New Accounting Pronouncements*, to the accompanying unaudited condensed consolidated financial statements for further details of the effects of the adoption of the new hedge accounting standard. Subject to foreign exchange rate movements and other factors, we expect a benefit to continue during 2018.

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Loss on Early Extinguishment of Debt

During the six months ended June 30, 2017, we recorded a \$20.4 million loss on early extinguishment of debt, which primarily reflects the write-off of unamortized debt issuance costs and discounts in connection with the refinancing of our senior secured term loan facility.

Income Tax Expense

Our effective tax rate was 15.7% and 9.2% for the three and six months ended June 30, 2018, respectively. Our effective tax rate was 15.0% and 16.4% for the three and six months ended June 30, 2017, respectively. The effective tax rate was reduced by 0.6% and 2.9% for the three months ended June 30, 2018 and 2017, respectively, as a result of benefits from stock option exercises. The effective tax rate was reduced by 10.1% and 3.3% for the six months ended June 30, 2018 and 2017, respectively, as a result of benefits from stock option exercises. Additionally, our effective tax rate for the three and six months ended June 30, 2018 benefited from reserve releases due to audit settlements and realignment of various internal financing arrangements.

Net Income

We reported net income of \$314.2 million for the three months ended June 30, 2018, compared to net income of \$243.5 million for the three months ended June 30, 2017. The increase in net income is primarily due to a \$76.2 million favorable change in results from other operating expenses (income), net, a \$19.6 million increase in BK segment income, a \$7.0 million increase in PLK segment income, a \$4.4 million increase in TH segment income and a \$3.9 million decrease in PLK Transaction costs. These factors were partially offset by a \$15.8 million increase in income tax expense, the inclusion of \$12.4 million of Office centralization and relocation costs, the inclusion of \$6.4 million of Corporate restructuring and tax advisory fees, and a \$3.6 million increase in share-based compensation and non-cash incentive compensation expense.

We reported net income of \$593.0 million for the six months ended June 30, 2018, compared to net income of \$410.1 million for the six months ended June 30, 2017. The increase in net income is primarily due to a \$46.6 million increase in BK segment income, a \$45.5 million increase in PLK segment income, primarily as a result of including PLK for a full six months in 2018 compared to three months in 2017, a \$77.3 million favorable change in results from other operating expenses (income), net, a \$33.2 million decrease in PLK Transaction costs, the non-recurrence of \$20.4 million of loss on early extinguishment of debt and a \$20.3 million decrease in income tax expense. These factors were partially offset by a \$30.5 million increase in interest expense, net, the inclusion of \$13.5 million of Corporate restructuring and tax advisory fees, the inclusion of \$12.4 million of Office centralization and relocation costs, and a \$6.6 million decrease in TH segment income.

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, 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, Corporate restructuring and tax advisory fees related to the interpretation and implementation of the Tax Act, and non-operational Office centralization and relocation costs in connection with the centralization and relocation of our Canadian and U.S. restaurant support centers to new offices in Toronto, Ontario, and Miami, Florida, respectively. 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 Ended		Variance		Six Months Ended		Variance		
	June 30,		\$	%	June 30,		\$	%	
	2018	2017	Favorable / (Unfavorable)		2018	2017	Favorable / (Unfavorable)		
Segment income:									
TH	\$ 285.5	\$ 281.1	\$ 4.4	1.6 %	\$ 530.7	\$ 537.3	\$ (6.6)	(1.2)%	
BK	236.4	216.8	19.6	9.0 %	450.5	403.9	46.6	11.5 %	
PLK	40.2	33.2	7.0	21.1 %	78.7	33.2	45.5	137.0 %	
Adjusted EBITDA	562.1	531.1	31.0	5.8 %	1,059.9	974.4	85.5	8.8 %	
Share-based compensation and non-cash incentive compensation expense	15.5	11.9	(3.6)	(30.3)%	30.8	30.4	(0.4)	(1.3)%	
PLK Transaction costs	4.6	8.5	3.9	45.9 %	9.7	42.9	33.2	77.4 %	
Corporate restructuring and tax advisory fees	6.4	—	(6.4)	NM	13.5	—	(13.5)	NM	
Office centralization and relocation costs	12.4	—	(12.4)	NM	12.4	—	(12.4)	NM	
Impact of equity method investments (a)	4.4	4.1	(0.3)	(7.3)%	(5.6)	1.2	6.8	NM	
Other operating expenses (income), net	(29.4)	46.8	76.2	162.8 %	(16.7)	60.6	77.3	127.6 %	
EBITDA	548.2	459.8	88.4	19.2 %	1,015.8	839.3	176.5	21.0 %	
Depreciation and amortization	45.5	45.4	(0.1)	(0.2)%	92.5	88.7	(3.8)	(4.3)%	
Income from operations	502.7	414.4	88.3	21.3 %	923.3	750.6	172.7	23.0 %	
Interest expense, net	129.8	128.0	(1.8)	(1.4)%	269.9	239.4	(30.5)	(12.7)%	
Loss on early extinguishment of debt	—	—	—	NM	—	20.4	20.4	NM	
Income tax expense	58.7	42.9	(15.8)	(36.8)%	60.4	80.7	20.3	25.2 %	
Net income	\$ 314.2	\$ 243.5	\$ 70.7	29.0 %	\$ 593.0	\$ 410.1	\$ 182.9	44.6 %	

NM - not meaningful

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

The increase in Adjusted EBITDA for the three months ended June 30, 2018 reflects the increase in segment income in our BK, PLK and TH segments. The increase in Adjusted EBITDA for the six months ended June 30, 2018 reflects the increase in segment income in our BK and PLK segments, primarily as a result of including PLK for a full six months in 2018 compared to three months in 2017, partially offset by a decrease in our TH segment.

The increase in EBITDA for the three months ended June 30, 2018 is primarily due to an increase in segment income in our BK, PLK and TH segments and favorable results from other operating expenses (income), net in the current period, and a decrease in PLK Transaction costs, partially offset by the inclusion of Office centralization and relocation costs and Corporate restructuring and tax advisory fees, and an increase in share-based compensation and non-cash incentive compensation expense.

The increase in EBITDA for the six months ended June 30, 2018 is primarily due to an increase in segment income in our BK and PLK segments, primarily as a result of including PLK for a full six months in 2018 compared to three months in 2017, favorable results from other operating expenses (income), net in the current period, a decrease in PLK Transaction costs, and favorable results from the impact of equity method investments in the current period, partially offset by the inclusion of Corporate restructuring and tax advisory fees and Office centralization and relocation costs and a decrease in segment income in our TH segment.

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 repurchase our common shares, to repurchase Class B exchangeable limited partnership units of Partnership ("Partnership exchangeable units"), to voluntarily prepay and repurchase our or one of our affiliate's outstanding debt, to fund our investing activities, and to pay dividends on our common shares and make 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 requirements.

As of June 30, 2018, we had cash and cash equivalents of \$987.5 million and working capital of \$312.5 million and borrowing availability of \$495.5 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, debt service requirements and capital spending over the next twelve months.

Prior to the Tax Act, we provided deferred taxes on certain undistributed foreign earnings. Under our transition to a modified territorial tax system whereby all previously untaxed undistributed foreign earnings are subject to a transition tax charge at reduced rates and future repatriations of foreign earnings will generally be exempt from U.S. tax, we wrote off the existing deferred tax liability on undistributed foreign earnings and recorded the impact of the new transition tax charge on foreign earnings during the fourth quarter of 2017. We will continue to monitor available evidence and our plans for foreign earnings and expect to continue to provide any applicable deferred taxes based on the tax liability or withholding taxes that would be due upon repatriation of amounts not considered permanently reinvested.

On August 2, 2016, our board of directors approved a share repurchase authorization that allows us to 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. We have filed an application with the TSX to extend the normal course issuer bid through August 7, 2019. 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 prior notice, free of charge, by contacting us. As of the date of this report, there have been no share repurchases under the normal course issuer bid that commenced on August 8, 2017.

Debt Instruments and Debt Service Requirements

As of June 30, 2018, our long-term debt is comprised primarily of borrowings under our Credit Facilities, amounts outstanding under our 2017 4.25% Senior Notes, 2015 4.625% Senior Notes, and 2017 5.00% 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.

Credit Facilities

As of June 30, 2018, there was \$6,356.5 million outstanding principal amount under our senior secured term loan facility (the "Term Loan Facility") with an interest rate of 4.34%. Based on the amounts outstanding under the Term Loan Facility and LIBOR as of June 30, 2018, subject to a floor of 1.00%, required debt service for the next twelve months is estimated to be approximately \$280.0 million in interest payments and \$51.1 million in principal payments. In addition, based on LIBOR as of June 30, 2018, net cash settlements that we expect to receive on our \$3,500.0 million interest rate swap are estimated to be approximately \$6.9 million for the next twelve months.

As of June 30, 2018, we had no amounts outstanding under our senior secured revolving credit facility (the "Revolving Credit Facility" and together with the Term Loan Facility, the "Credit Facilities"), had \$4.5 million of letters of credit issued against the facility, and our borrowing availability was \$495.5 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.

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The interest rate applicable to borrowings under our Credit Facilities is, at our option, either (i) a base rate plus an applicable margin equal to 1.25% for the Term Loan Facility and ranging from 0.25% to 1.00%, depending on our leverage ratio, for the Revolving Credit Facility, or (ii) a Eurocurrency rate plus an applicable margin of 2.25% for the Term Loan Facility and ranging from 1.25% to 2.00%, depending on our leverage ratio, for the Revolving Credit Facility. Borrowings are subject to a floor of 2.00% for base rate borrowings and 1.00% for Eurocurrency rate borrowings.

Senior Notes

Two of our subsidiaries (the "Borrowers") are party to (i) 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"), (ii) 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 (iii) an indenture (the "2017 5.00% Senior Notes Indenture") in connection with the issuance of \$2,800.0 million of 5.00% second lien senior secured notes due October 15, 2025 (the "2017 5.00% Senior Notes"). No principal payments are due on the 2017 4.25% Senior Notes, 2015 4.625% Senior Notes and 2017 5.00% Senior Notes until maturity and interest is paid semi-annually.

Based on the amounts outstanding at June 30, 2018, 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 June 30, 2018, we were in compliance with all debt covenants under the Credit Facilities, 2017 4.25% Senior Notes Indenture, 2017 5.00% Senior Notes Indenture and 2015 4.625% Senior Notes Indenture, and there were no limitations on our ability to draw on the remaining availability under our Revolving Credit Facility.

Cash Dividends

On July 3, 2018, we paid a dividend of \$0.45 per common share and Partnership made a distribution in respect of each Partnership exchangeable unit in the amount of \$0.45 per Partnership exchangeable unit.

Our board of directors has declared a cash dividend of \$0.45 per common share, which will be paid on October 1, 2018 to common shareholders of record on September 7, 2018. Partnership will also make a distribution in respect of each Partnership exchangeable unit in the amount of \$0.45 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.

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 formal 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 July 25, 2018, we had outstanding 250,012,986 common 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 special voting share except as otherwise provided by law. For information on our share-based compensation and our outstanding equity awards, see Note 15 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, 2017, filed with the SEC and Canadian securities regulatory authorities on February 23, 2018.

There were 217,546,126 Partnership exchangeable units outstanding as of July 25, 2018. 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.

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Comparative Cash Flows

Operating Activities

Cash provided by operating activities was \$287.4 million during the six months ended June 30, 2018, compared to \$490.0 million during the same period in the prior year. The decrease in cash provided by operating activities was driven by an increase in income tax payments, primarily due to the payment of accrued income taxes related to the December 2017 redemption of preferred shares, an increase in interest payments, and a decrease in TH segment income. These factors were partially offset by an increase in BK segment income, an increase in PLK segment income, primarily as a result of including PLK for a full six months in 2018 compared to three months in 2017, and a decrease in cash used for working capital.

Investing Activities

Cash provided by investing activities was \$1.5 million for the six months ended June 30, 2018, compared to cash used for investing activities of \$857.9 million during the same period in the prior year. The change in investing activities was driven primarily by net cash used for the Popeyes Acquisition during 2017, partially offset by proceeds from the settlement of derivatives in 2017.

Financing Activities

Cash used for financing activities was \$383.2 million for the six months ended June 30, 2018, compared to cash provided by financing activities of \$2,338.7 million during the same period in the prior year. The change in financing activities was driven primarily by proceeds from the issuance of long-term debt in 2017, an increase in RBI common share dividends and distributions on Partnership exchangeable units during 2018 and the 2018 payments in connection with the December 2017 redemption of preferred shares. These factors were partially offset by higher proceeds from stock option exercises in 2018, the repayment of a portion of our term loan in 2017, the repayment of debt assumed in connection with the Popeyes Acquisition in 2017, payment of financing costs in 2017, and preferred dividend payments in 2017.

New Accounting Pronouncements

See Note 3 – *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 six months ended June 30, 2018 to the disclosures made in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC and Canadian securities regulatory authorities on February 23, 2018.

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 June 30, 2018. 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

Beginning January 1, 2018, we integrated Popeyes into our overall internal control over financial reporting framework.

Internal Control Over Financial Reporting

The Company's management, including the CEO and CFO, confirm that, other than changes in internal controls disclosed above, there were no changes in the Company's internal control over financial reporting during the three months ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 and the timing of completing the integration of our PLK operations; (iii) the amount and timing of additional general administrative expenses associated with the centralization and relocation of our Canadian and U.S. restaurant support centers; (iv) the amount and timing of additional Corporate restructuring and tax advisory fees related to the Tax Act; (v) our estimates with respect to tax matters as a result of the Tax Act, including our effective tax rate for 2018, the impacts of the Tax Act, and the anticipated timing of finalizing our estimates; and (vi) certain accounting and tax matters.

Our forward-looking statements, included in this report and elsewhere, represent management’s expectations as of the date that they are made. Our forward-looking statements are based on 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 ability to successfully manage our franchisee relationships, including our relationship with our Tim Hortons franchisees, and to effectively counter any adverse impact on guest perceptions due to negative publicity; (4) the success of our franchisees, including the financial and operational impact of the new “Winning Together Plan” on Tim Hortons franchisees; and risks related to our fully franchised business model; (5) the effectiveness of our marketing and advertising programs and franchisee support of these programs; (6) significant and rapid fluctuations in interest rates and in the currency exchange markets and the effectiveness of our hedging activity; (7) our ability to successfully implement our domestic and international growth strategy for our brands and risks related to our international operations; (8) our reliance on master franchisees and subfranchisees to accelerate restaurant growth; (9) the ability of the counterparties to our credit facilities and derivatives to fulfill their commitments and/or obligations; and (10) implications of the Tax Act and future changes in applicable tax laws or interpretations thereof.

We operate in a very competitive and rapidly changing environment and our inability to successfully manage any of the above risks may permit our competitors to increase their market share and may decrease our profitability. 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, 2017 filed with the SEC and Canadian securities regulatory authorities on February 23, 2018, 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 July 24, 2018, a complaint for declaratory relief was filed against Tim Hortons USA, Inc. ("THUSA") and Restaurant Brands International Limited Partnership in the Circuit Court of the 11th Judicial Circuit in Miami-Dade County, Florida by Great White North Franchisee Association - USA, Inc., on behalf of its members. The complaint alleges certain breaches of the franchise agreements between THUSA and its franchisees and the implied covenant of good faith and fair dealing, as well as violations of the U.S. franchise rules and the Florida Deceptive and Unfair Trade Practices Act. 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 the case or estimate the range of possible loss, if any.

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
10.36*	Restaurant Brands International Inc. Amended and Restated 2014 Omnibus Incentive Plan, as amended.
31.1	Certification of Chief Executive Officer of Restaurant Brands International Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer of Restaurant Brands International Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer of Restaurant Brands International Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer of Restaurant Brands International Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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

* Management contract or compensatory plan or arrangement.

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: August 1, 2018

By: /s/ Matthew Dunnigan

Name: Matthew Dunnigan
Title: Chief Financial Officer
(principal financial officer)
(duly authorized officer)

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Section 2: EX-10.36 (EXHIBIT 10.36)

EXHIBIT 10.36

RESTAURANT BRANDS INTERNATIONAL INC.

2014 OMNIBUS INCENTIVE PLAN

Amended and Restated June 9, 2016

Amended June 7, 2018

Section 1. Purpose. The purpose of the Restaurant Brands International Inc. 2014 Omnibus Incentive Plan is to attract, retain and reward those employees, directors and other individuals who are expected to contribute significantly to the success of the Company and its Affiliates, to incentivize such individuals to perform at the highest level, to strengthen the mutuality of interests between such individuals and the Company's stockholders and, in general, to further the best interests of the Company and its shareholders.

Section 2. Definitions. As used in the Plan, the following terms shall have the meanings set forth below:

“**Act**” shall mean the Securities Exchange Act of 1934, as amended. Reference to a specific section of the Act or regulation thereunder shall include such section or regulation, any valid regulation or interpretation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

“**Affiliate**” shall mean: (i) any entity that, directly or indirectly, controls (as well as is controlled by or under common or joint control with) the Company; or (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee; provided that, unless otherwise determined by the Committee, the Shares subject to any Options or SAR that are granted to a service provider of an Affiliate constitutes “service recipient stock” for purposes of Section 409A of the Code or otherwise does not subject the Award to the excise tax under Section 409A of the Code.

“**Award**” shall mean any Option, Stock Appreciation Right, award of Restricted Stock, Restricted Stock Unit, Deferred Stock, annual or long-term Performance Award, Other Stock-Based Award or Cash-Based Award granted under the Plan, which may be denominated or settled in Shares, cash, equity interests in any entity with respect to which the Company holds, directly or indirectly, a controlling interest, whether such entity is a corporation, partnership or other entity, or in such other forms as provided for herein. All Awards shall be granted by an Award Agreement.

“**Award Agreement**” shall mean the agreement (whether in written or electronic form) or other instrument or document evidencing any Award granted under the Plan, which may, but need not, be executed or acknowledged by a Participant.

“**Beneficiary**” shall mean a person or persons entitled to receive payments or other benefits or exercise rights that are available under the Plan in the event of the Participant’s death. If no such person is named by a Participant, such individual’s Beneficiary shall be the individual’s estate.

“**Blackout Period**” means a period when the Participant is prohibited from trading in the Company’s securities pursuant to securities regulatory requirements or the Company’s insider trading policy or other applicable policy or requirement of the Company.

“**Board**” shall mean the board of directors of the Company.

“**Cash-Based Award**” means an Award granted pursuant to Section 11 of the Plan and payable in cash at such time or times and subject to such terms and conditions as determined by the Committee in its sole discretion.

“**Change in Control**” shall mean the occurrence of:

(i) any “person” (as defined in Section 13(d) of the Act) (other than the Company, its Affiliates or an employee benefit plan or trust maintained by the Company or its affiliates, or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Shares of the Company) becoming the “beneficial owner” (as defined in Rule 13d-3 under the Act), directly or indirectly, of more than 50% of the combined voting power of the Company’s then outstanding securities (excluding any “person” who becomes such a beneficial owner (x) in connection with a transaction described in clause (A) of paragraph (ii) below or (y) in connection with a distribution to them in their capacity as a member or partner (whether general or limited partners) in 3G Special Situations Fund II, L.P., a limited partnership formed under the laws of the Cayman Islands (“3G”));

(ii) the consummation of (A) a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity or any parent thereof) more than 20% of the combined voting power or the total fair market value of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; provided, however, that a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person (other than those covered by the exceptions in paragraph (i) of this definition) acquires more than 50% of the combined voting power of the Company’s then outstanding securities shall not constitute a Change in Control of the Company; or

(iii) a complete liquidation or dissolution of the Company or the consummation of any sale, lease, exchange or other transfer (in one transaction or a series of transactions) of all or substantially all of the assets of the Company; other than such liquidation, sale or disposition to a person or persons who beneficially own, directly or indirectly, more than 20% of the combined voting power of the outstanding voting securities of the Company at the time of the sale.

Notwithstanding the foregoing, with respect to any Award that is characterized as “nonqualified deferred compensation” within the meaning of Section 409A of the Code, an event shall not be considered to be a Change in Control under the Plan for purposes of payment of such Award unless such event is also a “change in ownership,” a “change in effective control” or a “change in the ownership of a substantial portion of the assets” of the Company within the meaning of Section 409A of the Code.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time. Any reference to any section of the Code shall also be a reference to any successor provision and any treasury regulation promulgated thereunder.

“Committee” shall mean the Compensation Committee of the Board or such other committee as may be designated by the Board. If the Board does not designate the Committee, references herein to the “Committee” shall refer to the Board.

“Company” shall mean Restaurant Brands International Inc.

“Consultant” means a person or corporation engaged by the Company to provide services for an initial, renewable or extended period of 12 months or more.

“Covered Employee” means an individual who is (i) a “covered employee” within the meaning of Section 162(m)(3) of the Code, or any successor provision thereto and (ii) any individual who is designated by the Committee, in its discretion, at the time of any Award or at any subsequent time, as reasonably expected to be a “covered employee” with respect to the taxable year of the Company in which any applicable Award will be paid.

“Deferred Stock” shall mean a right to receive Shares or other Awards or a combination thereof at the end of a specified deferral period, granted under Section 9.

“Dividend Equivalent” means a right, granted to a Participant under the plan, to receive cash, shares, other Awards or other property equal in value to dividends paid with respect to Shares.

“Effective Date” shall mean the “Closing Date” as defined in the Arrangement Agreement dated August 26, 2014 among the Company, Burger King Worldwide, Inc. and Tim Hortons Inc.

“Fair Market Value” means, for purposes of the Plan, unless otherwise required by any applicable provision of the Code, any regulations issued thereunder or other applicable law, as of any date and except as provided below, the last sales price reported for the Shares on the applicable date: (i) as reported on the TSX, in the case of a Canadian Participant; or (ii) the NYSE in the case of a U.S. Participant or other Participant who is not a Canadian Participant; or (iii) if the Shares are not

traded, listed or otherwise reported or quoted, the Committee shall determine in good faith the Fair Market Value in whatever manner it considers appropriate taking into account the requirements of Section 409A of the Code and any other applicable law. For purposes of the grant of any Award, the applicable date shall be the trading day immediately prior to the date on which the Award is granted. For purposes of the exercise of any Award, the applicable date shall be the date a notice of exercise is received by the Committee or its designee, as applicable, or, if not a day on which the applicable market is open, the next day that it is open.

“**Incentive Stock Option**” shall mean an option representing the right to purchase Shares from the Company, granted under and in accordance with the terms of Section 6, that is intended to be and is designated as an “Incentive Stock Option” within the meaning of Section 422 of the Code.

“**NYSE**” means the New York Stock Exchange.

“**Non-Qualified Stock Option**” shall mean an option representing the right to purchase Shares from the Company, granted under and in accordance with the terms of Section 6, that is not an Incentive Stock Option.

“**Option**” shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

“**Other Stock-Based Award**” means an Award granted pursuant to Section 11 of the Plan.

“**Participant**” shall mean the recipient of an Award granted under the Plan.

“**Performance Award**” means an Award granted pursuant to Section 10 of the Plan.

“**Performance Goals**” means goals established by the Committee as contingencies for Awards to vest and/or become exercisable or distributable based on one or more of the performance goals set forth in Exhibit A hereto.

“**Performance Period**” means the period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any Performance Goals specified by the Committee with respect to such Award are measured or must be satisfied.

“**Plan**” shall mean the Restaurant Brands International Inc. 2014 Omnibus Incentive Plan, as the same may be amended from time to time.

“**Prior Plan Award**” shall mean a grant of a restricted stock unit, an option or other stock based award granted under a Prior Plan.

“**Prior Plans**” shall mean the Company’s 2006 Stock Incentive Plan, the Company’s 2012 Stock Incentive Plan, the Company’s 2011 Omnibus Incentive Plan, and the Company’s Amended and Restated 2012 Omnibus Incentive Plan, each as amended effective as of the Effective Date.

“**Restricted Stock**” shall mean any Share granted under Section 8.

“**Restricted Stock Unit**” shall mean a contractual right granted under Section 8 that is denominated in Shares. Each Restricted Stock Unit represents a right to receive one Share or the value of one Share upon the terms and conditions set forth in the Plan and the applicable Award Agreement.

“**Rule 16b-3**” means Rule 16b-3 under Section 16(b) of the Act as then in effect or any successor provision.

“**SAR**” or “**Stock Appreciation Right**” shall mean any right granted to a Participant pursuant to Section 7 to receive, upon exercise by the Participant, the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the grant price of the right on the date of grant, or if granted in connection with an outstanding Option on the date of grant of the related Option, as specified by the Committee in its sole discretion, which, except in the case of Substitute Awards or in connection with an adjustment provided in Section 5(c), shall not be less than the Fair Market Value of one Share on such date of grant of the right or the related Option, as the case may be.

“**Securities Act**” means the Securities Act of 1933, as amended and all rules and regulations promulgated thereunder. Reference to a specific section of the Securities Act or regulation thereunder shall include such section or regulation, any valid

regulation or interpretation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

“**Service**” shall mean the active performance of services for the Company or an Affiliate by a person who is an employee or director of the Company or an Affiliate. Notwithstanding the foregoing, with respect to any Award that is characterized as “nonqualified deferred compensation” within the meaning of Section 409A of the Code, an event shall not be considered to be a termination of “Service” under the Plan for purposes of payment of such Award unless such event is also a “separation from service” within the meaning of Section 409A of the Code.

“**Shares**” shall mean shares of the common stock of the Company.

“**Subsidiary**” shall mean any corporation of which stock representing at least 50% of the ordinary voting power is owned, directly or indirectly, by the Company.

“**Substitute Awards**” shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines.

“**Transfer**” means: (a) when used as a noun, any direct or indirect transfer, sale, assignment, pledge, hypothecation, encumbrance or other disposition (including the issuance of equity in any entity), whether for value or no value and whether voluntary or involuntary (including by operation of law), and (b) when used as a verb, to directly or indirectly transfer, sell, assign, pledge, encumber, charge, hypothecate or otherwise dispose of (including the issuance of equity in any entity) whether for value or for no value and whether voluntarily or involuntarily (including by operation of law). “Transferred” and “Transferable” shall have a correlative meaning.

“**TSX**” means the Toronto Stock Exchange.

Section 3. Eligibility.

(a) Any employee, director, Consultant or other advisor of, or any other individual who provides services to, the Company or any Affiliate, shall be eligible to be selected to receive an Award under the Plan. Notwithstanding the foregoing, only eligible employees of the Company, its subsidiaries and its parent (as determined in accordance with Section 422(b) of the Code) are eligible to be granted Incentive Stock Options under the Plan. Eligibility for the grant of Awards and actual participation in the Plan shall be determined by the Committee in its sole discretion.

(b) An individual who has agreed to accept employment by the Company or an Affiliate shall be deemed to be eligible for Awards hereunder as of the date of such acceptance; provided that vesting and exercise of Awards granted to such individual are conditioned upon such individual actually becoming an employee of the Company or an Affiliate.

(c) Holders of Options and other types of Awards granted by a company acquired by the Company or with which the Company combines are eligible for grant of Substitute Awards hereunder.

Section 4. Administration.

(a) The Plan shall be administered by the Committee. The Committee shall be appointed by the Board and shall consist of not less than two directors. To the extent required by applicable law, rule or regulation, it is intended that each member of the Committee shall qualify both as a “non-employee director” under Rule 16b-3 and an “outside director” under Section 162(m) of the Code. If it is later determined that one or more members of the Committee do not so qualify, actions taken by the Committee prior to such determination shall be valid despite such failure to qualify. The Board may designate one or more directors as alternate members of the Committee who may replace any absent or disqualified member at any meeting of the Committee. The Committee may delegate to one or more officers of the Company the authority to grant Awards except that such delegation shall not be applicable to any Award for a person then covered by Section 16 of the Act or a Covered Employee. The Committee may issue rules and regulations for administration of the Plan. It shall meet at such times and places as it may determine.

(b) Subject to Section 15, the Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan and perform all acts, including the delegation of its responsibilities (to the extent permitted by applicable law and applicable stock exchange rules), as it shall, from time to time, deem advisable; to construe and interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan. The Committee may correct any defect, supply any omission

or reconcile any inconsistency in the Plan or in any agreement relating thereto in the manner and to the extent it shall deem necessary to effectuate the purpose and intent of the Plan. The Committee may adopt special guidelines and provisions for persons who are residing in or employed in, or subject to, the taxes of, any domestic or foreign jurisdictions to comply with applicable tax and securities laws of such domestic or foreign jurisdictions. To the extent applicable, the Plan is intended to comply with the applicable requirements of Rule 16b-3, and with respect to Awards granted pursuant to a written binding contract in effect on November 2, 2017 that are intended to qualify for the exception for “performance-based compensation,” the applicable provisions of Section 162(m) of the Code, and the Plan shall be limited, construed and interpreted in a manner so as to comply therewith.

(c) Subject to the terms of the Plan and applicable law and the rules of the TSX and in addition to those authorities provided in Section 4 (c), the Committee (or its delegate) shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards (including Substitute Awards) to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights, or other matters are to be calculated in connection with) Awards; (iv) determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder (including, but not limited to, the exercise or purchase price (if any), any restriction or limitation, any vesting schedule or acceleration thereof, or any forfeiture restrictions or waiver thereof, regarding any Award and the Shares relating thereto, based on such factors, if any, as the Committee shall determine, in its sole discretion); (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, or other Awards, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee, taking into consideration the requirements of Section 409A of the Code; (vii) determine whether to require a Participant, as a condition of the granting of any Award, to not sell or otherwise dispose of shares acquired pursuant to the exercise of an Award for a period of time as determined by the Committee, in its sole discretion, following the date of the acquisition of such Award; (viii) to determine whether an Option is an Incentive Stock Option or Non-Qualified Option; (ix) to modify, extend or renew an Award, provided, however, that such action does not subject the Award to Section 409A of the Code without the consent of the Participant and provided that such extension of the Award does not benefit an Insider (as defined in Section 21 of the Plan); interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (xii) solely to the extent permitted by applicable law and the rules of the TSX, to determine whether, to what extent and under what circumstances to provide loans (which may be on a recourse basis and shall bear interest at the rate the Committee shall provide) to Participants in order to exercise Options or acquire Shares under the Plan; (ix) to permit accelerated vesting or lapse of restrictions of any Award at any time; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(d) All decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, the shareholders and the Participants.

Section 5. Shares Available for Awards; Per Person Limitations.

(a) Subject to adjustment as provided below, the maximum number of Shares available for issuance under the Plan is equal to (i) 30,000,000, plus (ii) any Shares subject to Prior Plan Awards which, on or after the Effective Date, cease for any reason to be subject to such Prior Plan Awards other than by reason of exercise or settlement of the Prior Plan Awards to the extent they are exercised for or settled in Shares reserved under a Prior Plan or settled pursuant to the exercise of a stock appreciation right issued in tandem with the Prior Plan Award. The maximum possible number of Shares subject to Prior Plan Awards that could be made available for purposes of the Plan is 18,769,078. Therefore, the maximum number of Shares available for issuance under the Plan is 48,769,078. The maximum number of these reserved Shares with respect to which Incentive Stock Options may be granted under the Plan shall be 15,000,000 Shares. With respect to Stock Appreciation Rights settled in Shares, upon settlement, only the number of Shares delivered to a Participant (based on the difference between the Fair Market Value of the Shares subject to such Stock Appreciation Right on the date such Stock Appreciation Right is exercised and the exercise price of each Stock Appreciation Right on the date such Stock Appreciation Right was awarded) shall count against the aggregate and individual share limitations set forth under this Section 5. If any Option, Stock Appreciation Right or Other Stock-Based Awards granted under the Plan expires, terminates or is canceled for any reason without having been exercised in full, the number of Shares underlying any unexercised Award shall again be available for the purpose of Awards under the Plan. If any shares of Restricted Stock, Performance Awards or Other Stock-Based Awards denominated in Shares awarded under the Plan to a Participant are forfeited for any reason, the number of forfeited shares of Restricted Stock, Performance Awards or Other Stock-Based Awards denominated in Shares shall again be available for

purposes of Awards under the Plan. Any Award under the Plan settled in cash shall not be counted against the foregoing maximum share limitations.

(b) Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or Shares acquired by the Company.

(c) To the extent required by Section 162(m) of the Code for Awards granted under the Plan pursuant to a written binding contract in effect on November 2, 2017, to qualify as “performance-based compensation,” the following individual Participant limitations shall apply:

(i) The maximum number of Shares subject to any Award of Options, or Stock Appreciation Rights, shares of Restricted Stock, Restricted Stock Units or Other Stock-Based Awards for which the grant of such Award or the lapse of the relevant restriction period is subject to the attainment of Performance Goals in accordance with Section 10 which may be granted under the Plan during any fiscal year of the Company to any Participant shall be 2,000,000 Shares per type of Award (which shall be subject to any further increase or decrease pursuant to Section 5(d)) provided that the maximum number of Shares for all types of Awards granted to any Participant does not exceed 2,000,000 Shares (which shall be subject to any further increase or decrease pursuant to Section 5(d)) during any fiscal year of the Company. If a Stock Appreciation Right is granted in tandem with an Option, it shall apply against the Participant’s individual share limitations for both Stock Appreciation Rights and Options.

(ii) There are no annual individual share limitations applicable to Participants on Restricted Stock, Restricted Stock Units or Other Stock-Based Awards for which the grant, vesting or payment (as applicable) of any such Award is not subject to the attainment of Performance Goals.

(iii) The maximum number of Shares subject to any Performance Award which may be granted under the Plan during any fiscal year of the Company to any Participant shall be 2,000,000 Shares (which shall be subject to any further increase or decrease pursuant to Section 5(d)) with respect to any fiscal year of the Company.

(iv) The maximum value of a cash payment made under a Performance Award which may be granted under the Plan with respect to any fiscal year of the Company to any Participant shall be \$10,000,000.

(v) The individual Participant limitations set forth in this Section 5(c) (other than Section 5(c)(iii)) shall be cumulative; that is, to the extent that Shares for which Awards are permitted to be granted to a Participant during a fiscal year are not covered by an Award to such Participant in a fiscal year, the number of Shares available for Awards to such Participant shall automatically increase in the subsequent fiscal years during the term of the Plan until used.

(d) Changes

(i) The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the shareholders of the Company to make or authorize (a) any adjustment, recapitalization, reorganization or other change in the Company’s capital structure or its business, (b) any merger or consolidation of the Company or any Affiliate, (c) any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Shares (d) the dissolution or liquidation of the Company or any Affiliate, (e) any sale or transfer of all or part of the assets or business of the Company or any Affiliate or (f) any other corporate act or proceeding.

(ii) Subject to the provisions of Section 5(d)(iv), if there shall occur any such change in the capital structure of the Company by reason of any stock split, reverse stock split, stock dividend, extraordinary dividend, subdivision, combination or reclassification of shares that may be issued under the Plan, any recapitalization, any merger, any consolidation, any spin off, any reorganization or any partial or complete liquidation, or any other corporate transaction or event having an effect similar to any of the foregoing (a “**Corporate Event**”), then (i) the aggregate number and/or kind of shares that thereafter may be issued under the Plan, (ii) the number and/ or kind of shares or other property (including cash) to be issued upon exercise of an outstanding Award granted under the Plan, and/or (iii) the purchase price thereof, shall be appropriately adjusted. In addition, subject to Section 5(d)(iv), if there shall occur any change in the capital structure or the business of the Company that is not a Corporate Event (an “**Other Extraordinary Event**”), including by reason of any ordinary dividend (whether cash or stock), any conversion, any adjustment, any issuance of any class of securities convertible or exercisable into, or exercisable for, any class of stock, or any sale or transfer of all or substantially all of the Company’s assets or business, then the Committee, in its sole discretion, may adjust any Award and make such other adjustments to the Plan. Any adjustment pursuant to this Section 5(d) shall be consistent with the applicable Corporate Event or the applicable Other Extraordinary Event, as the case may be, and in such manner as the Committee may, in its sole discretion, deem appropriate and equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, Participants under the Plan. Any such adjustment determined by the Committee shall be final, binding and conclusive on the Company and all Participants and their respective heirs, executors, administrators, successors and permitted assigns. Except as expressly provided in this Section 5(d) or in the

applicable Award Agreement, a Participant shall have no rights by reason of any Corporate Event or any Other Extraordinary Event.

(iii) Fractional shares of Shares resulting from any adjustment in Awards pursuant to Section 5(d)(i) or Section 5(d)(ii) shall be aggregated until, and eliminated at, the time of exercise by rounding-down for fractions less than one-half and rounding-up for fractions equal to or greater than one-half. No cash settlements shall be made with respect to fractional shares eliminated by rounding. Notice of any adjustment shall be given by the Committee to each Participant whose Award has been adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

(iv) In the event of a merger or consolidation of the Company or in the event of any transaction that results in the acquisition of substantially all of the Company's outstanding Shares by a single person or entity or by a group of persons and/or entities acting in concert, or in the event of the sale or transfer of all or substantially all of the Company's assets (all of the foregoing being referred to as an "**Acquisition Event**"), then the Committee may, in its sole discretion, terminate all outstanding and unexercised Options, Stock Appreciation Rights, or any Other Stock-Based Award that provides for a Participant elected exercise, effective as of the date of the Acquisition Event, by (i) cashing-out such Awards upon the date of consummation of the Acquisition Event, or (ii) delivering notice of termination to each Participant at least 5 days prior to the date of consummation of the Acquisition Event, in which case during the period from the date on which such notice of termination is delivered to the consummation of the Acquisition Event, each such Participant shall have the right to exercise in full all of such Participant's Awards that are then outstanding (without regard to any limitations on exercisability otherwise contained in the Award Agreements), but any such exercise shall be contingent on the occurrence of the Acquisition Event, and, provided that, if the Acquisition Event does not take place within a specified period after giving such notice for any reason whatsoever, the notice and exercise pursuant thereto shall be null and void. If an Acquisition Event occurs but the Committee does not terminate the outstanding Awards pursuant to this Section 5(d)(iv), then the provisions of Section 5(d)(ii) and Section 13 shall apply.

(e) Shares underlying Substitute Awards and Shares underlying awards that can only be settled in cash shall not reduce the number of Shares remaining available for issuance under the Plan.

(f) Notwithstanding any provision of the Plan to the contrary, if authorized but previously unissued Shares are issued under the Plan, such shares shall not be issued for a consideration that is less than as permitted under applicable law and the rules of the TSX.

(g) The maximum number of Shares subject to any Award which may be granted under the Plan during any fiscal year of the Company to any director shall be 1,000,000 Shares (which shall be subject to any further increase or decrease pursuant to Section 5(d)).

Section 6. Options.

The Committee is hereby authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine:

(a) The purchase price per Share under an Option shall be determined by the Committee; provided, however, that, except in the case of Substitute Awards, such purchase price shall not be less than the 100% (or 110% in the case of an Incentive Stock Option granted to a person owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, its subsidiaries or its parent, determined in accordance with Section 422(b)(6) of the Code) of the Fair Market Value of a Share on the date of grant of such Option.

(b) The term of each Option shall be fixed by the Committee but shall not exceed 10 years from the date of grant thereof. Notwithstanding the foregoing, if the term of an Option (other than an Incentive Stock Option) held by any Participant not subject to Section 409A of the Code would otherwise expire during, or within ten business days of the expiration of a Blackout Period applicable to such Participant, then the term of such Option shall be extended to the close of business on the tenth business day following the expiration of the Blackout Period.

(c) The Committee shall determine the time or times at which an Option may be exercised in whole or in part.

(d) To the extent vested and exercisable, Options may be exercised in whole or in part at any time during the Option term, by giving written notice of exercise to the Company specifying the number of Shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price as follows: (i) in cash or by check, bank draft or money order

payable to the order of the Company; (ii) solely to the extent permitted by applicable law, if the Shares are traded on a national securities exchange, and the Committee authorizes, through a procedure whereby the Participant delivers irrevocable instructions to a broker reasonably acceptable to the Committee to deliver promptly to the Company an amount equal to the purchase price; or (iii) on such other terms and conditions as may be acceptable to the Committee (including, without limitation, having the Company withhold Shares issuable upon exercise of the Option, or by payment in full or in part in the form of Shares owned by the Participant, based on the Fair Market Value of the Shares on the payment date as determined by the Committee). No Shares shall be issued until payment therefor, as provided herein, has been made or provided for.

(e) The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder. To the extent that the aggregate Fair Market Value (determined as of the time of grant) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by a Participant Employee during any calendar year under the Plan and/or any other stock option plan of the Company, any subsidiary or any parent exceeds \$100,000, such Options shall be treated as Non-Qualified Options. Should any provision of the Plan not be necessary in order for the Options to qualify as Incentive Stock Options, or should any additional provisions be required, the Committee may amend the Plan accordingly, without the necessity of obtaining the approval of the stockholders of the Company, subject to the rules of the TSX. Should any provision of the Plan not be necessary in order for the Options to qualify as Incentive Stock Options, or should any additional provisions be required, the Committee may amend the Plan accordingly, without the necessity of obtaining the approval of the stockholders of the Company, subject to the rules of the TSX. To the extent that any such Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such Option or the portion thereof which does not so qualify shall constitute a separate Non-Qualified Stock Option.

Section 7. Stock Appreciation Rights.

(a) The Committee is hereby authorized to grant Stock Appreciation Rights (“SARs”) to Participants with terms and conditions as the Committee shall determine not inconsistent with the provisions of the Plan.

(b) SARs may be granted hereunder to Participants either alone (“freestanding”) or in addition to other Awards granted under the Plan (“tandem”) and may, but need not, relate to a specific Options granted under Section 6.

(c) Any tandem SAR related to an Option may be granted at the same time such Option is granted to the Participant. In the case of any tandem SAR related to any Option, the SAR or applicable portion thereof shall not be exercisable until the related Option or applicable portion thereof is exercisable and shall terminate and no longer be exercisable upon the termination or exercise of the related Option, except that a SAR granted with respect to less than the full number of Shares covered by a related Option shall not be reduced until the exercise or termination of the related Option exceeds the number of Shares not covered by the SAR. Any Option related to any tandem SAR shall no longer be exercisable to the extent the related SAR has been exercised.

(d) A freestanding SAR shall not have a term of greater than 10 years or, unless it is a Substitute Award, an exercise price less than 100% of Fair Market Value of the Share on the date of grant. Notwithstanding the foregoing, if the term of a SAR held by any Participant not subject to Section 409A of the Code would otherwise expire during, or within ten business days of the expiration of a Blackout Period applicable to such Participant, then the term of such SAR shall be extended to the close of business on the tenth business day following the expiration of the Blackout Period.

Section 8. Restricted Stock and Restricted Stock Units.

(a) The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants.

(b) Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or dividend equivalent or other right), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate.

(c) Any share of Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock. If stock certificates are issued in respect of shares of Restricted Stock, the Committee may

require that any stock certificates evidencing such Shares be held in custody by the Company until the restrictions thereon shall have lapsed, and that, as a condition of any grant of Restricted Stock, the Participant shall have delivered a duly signed stock power or other instruments of assignment (including a power of attorney), each endorsed in blank with a guarantee of signature if deemed necessary or appropriate by the Company, which would permit transfer to the Company of all or a portion of the shares subject to the Restricted Stock Award in the event that such Award is forfeited in whole or part.

(d) The Committee may in its discretion, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all restrictions with respect to Shares of Restricted Stock or Restricted Stock Units.

(e) The Committee, in its discretion, may award Dividend Equivalents with respect to Awards of Restricted Stock Units. The entitlements on such Dividend Equivalents will not be available until the vesting of the Award of Restricted Stock Units.

(f) If the Committee intends that an Award under this Section 8 shall constitute or give rise to “qualified performance based compensation” under Section 162(m) of the Code, such Award may be structured in accordance with the requirements of Section 10, including without limitation, the Performance Goals and the Award limitation set forth therein, and any such Award shall be considered a Performance Award for purposes of the Plan.

Section 9. Deferred Stock. The Committee is authorized to grant Deferred Stock to Participants, subject to the following terms and conditions:

(a) Deferred Stock shall be settled upon expiration of the deferral period specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, and under such other circumstances as the Committee may determine at the date of grant or thereafter. Deferred Stock may be satisfied by delivery of Shares, other Awards, or a combination thereof, as determined by the Committee at the date of grant or thereafter.

(b) The Committee, in its discretion, may award Dividend Equivalents with respect to Awards of Deferred Stock. The entitlements on such Dividend Equivalents will not be available until the expiration of the deferral period for the Award of Deferred Stock.

Section 10. Performance Awards.

(a) The Committee may grant a Performance Award to a Participant payable upon the attainment of specific Performance Goals. The Committee may grant Performance Awards that are intended to qualify as “performance-based compensation” under Section 162(m) of the Code, as well as Performance Awards that are not intended to qualify as “performance-based compensation” under Section 162(m) of the Code. Performance Awards only may qualify as “performance-based compensation” under Section 162(m) of the Code to the extent granted pursuant to a written binding contract in effect on November 2, 2017. If the Performance Award is payable in shares of Restricted Stock, such shares shall be transferable to the Participant only upon attainment of the relevant Performance Goal in accordance with Section 8. If the Performance Award is payable in cash, it may be paid upon the attainment of the relevant Performance Goals either in cash or in shares of Restricted Stock (based on the then current Fair Market Value of such shares), as determined by the Committee, in its sole and absolute discretion. Each Performance Award shall be evidenced by an Award Agreement in such form that is not inconsistent with the Plan and that the Committee may from time to time approve. With respect to Performance Awards that are intended to qualify as “performance-based compensation” under Section 162(m) of the Code, the Committee shall condition the right to payment of any Performance Award upon the attainment of objective Performance Goals established pursuant to Section 10(b) (iii).

(b) Terms and Conditions. Performance Awards awarded pursuant to this Section 10 shall be subject to the following terms and conditions:

(i) Earning of Performance Award. At the expiration of the applicable Performance Period, the Committee shall determine the extent to which the Performance Goals established pursuant to Section 10(b) are achieved and the percentage of each Performance Award that has been earned.

(ii) Non-Transferability. Subject to the applicable provisions of the Award Agreement and the Plan, Performance Awards may not be Transferred during the Performance Period.

(iii) Objective Performance Goals, Formulae or Standards. With respect to Performance Awards that are intended to qualify as “performance-based compensation” under Section 162(m) of the Code, the Committee shall establish the objective Performance Goals for the earning of Performance Awards based on a Performance Period applicable to each Participant or class of Participants in writing prior to the beginning of the applicable Performance Period or at such later date as permitted under Section 162(m) of the Code and while the outcome of the Performance Goals are substantially uncertain. Such Performance Goals may incorporate, if and only to the extent permitted under Section 162(m) of the Code, provisions for disregarding (or adjusting for) the impact of any of the following that the Committee determines to be appropriate: (i) corporate transactions (including, without limitation, dispositions and acquisitions) and other similar type events or circumstances, (ii) restructurings, discontinued operations, extraordinary items or events, and other unusual or non-recurring charges as described in Accounting Principles Board Opinion No. 30 and/or management’s discussion and analysis of financial condition and results of operations appearing or incorporated by reference in the Company’s Form 10-K for the applicable year; (iii) an event either not directly related to the operations of the Company or any of its Affiliates or not within the reasonable control of the Company’s management, (iv) a change in tax law or accounting standards required by generally accepted accounting principles, or (v) such other exclusions or adjustments as the Committee specifies at the time the Award is granted. To the extent that any such provision would create impermissible discretion under Section 162(m) of the Code or otherwise violate Section 162(m) of the Code, such provision shall be of no force or effect, with respect to Performance Awards that are intended to qualify as “performance-based compensation” under Section 162(m) of the Code.

(c) Dividends. The Committee may, in its discretion, award Dividend Equivalents with respect to Performance Awards. Except as otherwise specified in a Performance Award Agreement, the entitlements on such Dividend Equivalents shall be subject to the same vesting conditions and shall be settled at the same times that apply with respect to the underlying Performance Award.

(d) Payment. Following the Committee’s determination in accordance with Section 10(b)(i) the Company shall settle Performance Awards, in such form (including, without limitation, in Shares or in cash) as determined by the Committee, in an amount equal to such Participant’s earned Performance Awards. Notwithstanding the foregoing, the Committee may, in its sole discretion, award an amount less than the earned Performance Awards and/or subject the payment of all or part of any Performance Award to additional vesting, forfeiture and deferral conditions as it deems appropriate.

(e) Termination. Subject to the applicable provisions of the Award Agreement and the Plan, upon a Participant’s termination of Service for any reason during the Performance Period for a given Performance Award, the Performance Award in question will vest or be forfeited in accordance with the terms and conditions established by the Committee at grant.

(f) Accelerated Vesting. Based on service, performance and/or such other factors or criteria, if any, as the Committee may determine, the Committee may, at or after grant, accelerate the vesting of all or any part of any Performance Award.

Section 11. Other Stock-Based and Cash Based Awards.

(a) The Committee is authorized, subject to limitations under applicable law and the rules of the TSX, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares or factors that may influence the value of Shares, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Shares, purchase rights for Shares, Awards with value and payment contingent upon performance of the Company or business units thereof, Shares awarded purely as a bonus and not subject to restrictions or conditions, equity interests in any entity with respect to which the Company holds, directly or indirectly, a controlling interest, whether such entity is a corporation, partnership or other entity, or any other factors designated by the Committee. The Committee shall determine the terms and conditions of such Awards. Shares delivered pursuant to an Award in the nature of a purchase right granted under this Section 11 shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Shares, other Awards, notes, or other property, as the Committee shall determine. Unless otherwise determined by the Committee in an Award Agreement, the recipient of an Award under this Section 11 shall not be entitled to receive, currently or on a deferred basis, dividends or Dividend Equivalents in respect of the number of Shares covered by the Award. In all cases, such dividends or Dividend Equivalents would not become payable until the expiration of any applicable performance period. An Other Stock-Based Award that is in the form of a grant of an equity interest in any entity with respect to which the Company holds, directly or indirectly, a controlling interest, may be granted in exchange for, replacement of, or substitution for an Award previously granted under the Plan (or any predecessor plan) or Substitute Award; provided, that, if such Award or Substitute Award is a stock option or a stock appreciation right, then the Other Stock-Based Award granted in exchange, replacement, or substitution thereof, may not have the economic effect of reducing the exercise price or term of such Award or Substitute Award.

(b) The Committee may from time to time grant Cash-Based Awards to Participants in such amounts, on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by applicable law, as it shall determine in its sole discretion. Cash-Based Awards may be granted subject to the satisfaction of vesting conditions or may be awarded purely as a bonus and not subject to restrictions or conditions, and if subject to vesting conditions, the Committee may accelerate the vesting of such Awards at any time in its sole discretion. The grant of a Cash-Based Award shall not require a segregation of any of the Company's assets for satisfaction of the Company's payment obligation thereunder.

(c) Notwithstanding any other provision of the Plan, when an Award with an exercise price is granted under the Plan and the exercise of the Award by the Participant may result in the issuance of Shares to the Participant, the exercise price (taking into account any conversion, exchange or other substitutions) of the Award may not be less than the Fair Market Value of a Share on the date of grant of the Award.

Section 12. Effect of Termination of Service on Awards. The Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, the circumstances in which Awards shall be exercised, vested, paid or forfeited in the event a Participant ceases to provide Service to the Company or any Affiliate prior to the end of a performance period or exercise or settlement of such Award.

Section 13. Change in Control Provisions. In the event of a Change in Control, and except as otherwise provided by the Committee in an Award Agreement, a Participant's unvested Award shall be treated in accordance with one of the following methods as determined by the Committee:

(a) Awards, whether or not then vested, shall be continued, assumed, have new rights substituted therefor or be treated in accordance with Section 5(d) hereof, as determined by the Committee, and restrictions to which shares of Restricted Stock or any other Award granted prior to the Change in Control are subject shall not lapse upon a Change in Control and the Restricted Stock or other Award shall, where appropriate in the sole discretion of the Committee, receive the same distribution as other Shares on such terms as determined by the Committee; provided that the Committee may decide to award additional Restricted Stock or other Awards in lieu of any cash distribution. Notwithstanding anything to the contrary herein, for purposes of Incentive Stock Options, any assumed or substituted Option shall comply with the requirements of Treasury Regulation Section 1.424-1 (and any amendment thereto).

(b) The Committee, in its sole discretion, may provide for the purchase of any Awards by the Company or an Affiliate for an amount of cash (either on a current basis or, to the extent such right does not subject the Award to the excise tax under Section 409A of the Code, a deferred basis) equal to the excess of the Change in Control Price (as defined below) of the Shares covered by such Awards, over the aggregate exercise price of such Awards. For purposes of this Section 13(b), "Change in Control Price" shall mean the highest price per Share paid in any transaction related to a Change in Control of the Company.

(c) If and to the extent that the approach chosen by the Committee results in an acceleration or potential acceleration of the exercisability, vesting or settlement of any Award, the Committee may impose such conditions upon the exercise, vesting and/or settlement of the Award (including without limitation a requirement that some or all of the proceeds from the accelerated portion of the Award be held in escrow and/or remain subject to risks of forfeiture or other conditions) as it shall determine; provided that those risks of forfeiture or other conditions are not in the good faith judgment of the Committee more restrictive than those under the original terms of the Award Agreement and do not result in any violation of Section 409A of the Code. The Committee shall give written notice of any proposed transaction referred to in this Section 13(c) at a reasonable period of time prior to the closing date for such transaction (which notice may be given either before or after the approval of such transaction), in order that Participants may have a reasonable period of time prior to the closing date of such transaction within which to exercise any Awards that are then exercisable (including any Awards that may become exercisable upon the closing date of such transaction). A Participant may condition his or her exercise of any Awards upon the consummation of the transaction.

Section 14. General Provisions Applicable to Awards.

(a) Awards may be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(b) Awards may, in the discretion of the Committee, be granted either alone or in addition to or in tandem with any other Award or any award granted under any other plan of the Company. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other plan of the Company, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(c) Subject to the terms of the Plan, payments or transfers to be made by the Company upon the grant, exercise or payment of an Award may be made in the form of cash, Shares, other securities or other Awards, or any combination thereof, as determined by the Committee in its discretion at the time of grant, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee and in compliance with Section 409A of the Code. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest (or no interest) on installment or deferred payments or the grant or crediting of dividend equivalents in respect of installment or deferred payments.

(d) Except as may be permitted by the Committee or as specifically provided in an Award Agreement, (i) no Award or other benefit payable under the Plan shall, except as otherwise specifically provided by law or permitted by the Committee, be Transferable in any manner other than by will or the law of descent, and any attempt to Transfer any such benefit shall be void, and any such benefit shall not in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such benefit, nor shall it be subject to attachment or legal process for or against such person, and (ii) each Award, and each right under any Award, shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative. The provisions of this paragraph shall not apply to any Award which has been fully exercised, earned or paid, as the case may be, and shall not preclude forfeiture of an Award in accordance with the terms thereof.

(e) A Participant may designate a Beneficiary or change a previous beneficiary designation at such times prescribed by the Committee by using forms and following procedures approved or accepted by the Committee for that purpose. If no Beneficiary designated by the Participant is eligible to receive payments or other benefits or exercise rights that are available under the Plan at the Participant's death, the Beneficiary shall be the Participant's estate.

(f) All certificates for Shares and/or Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(g) The Committee may impose restrictions on any Award with respect to non-competition, confidentiality and other restrictive covenants, as it deems necessary in its sole discretion and/or for the clawing back of any rights or benefits under any Awards as a result of any breaches of any of the foregoing covenants and/or for any reasons specified in the Award Agreement or in any employment or other agreement between the Company or any Affiliate and the Participant, and/or for clawing back any rights or benefits under any Awards to the extent provided under any Company policies (including without limitation any policies adopted or amended to comply with applicable securities or other laws or stock exchange requirements, whether those policies were adopted or amended before or after the date on which the Award was granted).

(h) Any Award granted pursuant to the Plan on or after January 1, 2017 will be subject to mandatory repayment or forfeiture, as applicable, by the Participant to the Company to the extent the Participant is, or in the future becomes, subject to (1) any Company "clawback" or recoupment policy adopted by the Board or the Committee, or (2) any law, rule or regulation which imposes mandatory recoupment, under the circumstances set forth in any such law, rule or regulation.

In addition, the Committee may reserve the right in an Award Agreement to cause a forfeiture of the gain realized by a Participant with respect to an award on account of actions taken by, or failed to be taken by, such Participant in violation or breach of, or in conflict with, any employment agreement, non-competition agreement, agreement prohibiting solicitation of employees or clients of the Company or any affiliate, confidentiality obligation with respect to the Company or any affiliate, Company policy or procedure (including the Company's Code of Business Ethics and Conduct for Non-Restaurant Employees, Code of Ethics for Executive Officers and Insider Trading Policy), other agreement, or any other obligation of such Participant to the Company or any affiliate. The Committee may annul an outstanding Award if the Participant is terminated for "Cause" as defined in any applicable Award Agreement or as defined in any other agreement between the Company or such affiliate and such Participant, as applicable.

Section 15. Amendments and Termination.

(a) The Board may amend, alter, suspend, discontinue or terminate the Plan and any outstanding Awards granted hereunder, in whole or in part, at any time without notice to or approval by the shareholders of the Company, for any purpose whatsoever, provided that all material amendments to the Plan shall require the prior approval of the shareholders of the Company and must comply with the rules of the TSX. Examples of the types of amendments that are not material that the Board is entitled to make without shareholder approval include, without limitation, the following:

- (i) ensuring continuing compliance with applicable law, the rules of the TSX or other applicable stock exchange rules and regulations or accounting or tax rules and regulations;
- (ii) amendments of a “housekeeping” nature, which include amendments to correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award Agreement in the manner and to the extent it shall deem desirable to carry the Plan into effect;
- (iii) changing the vesting provision of the Plan or any Award (subject to the limitations for Awards subject to Section 10(b));
- (iv) waiving any conditions or rights under any Award (subject to the limitations for Awards subject to Section 10(b));
- (v) changing the termination provisions of any Award that does not entail an extension beyond the original expiration date thereof;
- (vi) adding a cashless exercise feature payable in securities, where such feature provides for a full deduction of the number of underlying securities from the Plan reserve, and any amendment to a cashless exercise provision;
- (vii) adding a form of financial assistance and any amendment to a financial assistance provision which is adopted;
- (viii) changing the process by which a Participant who wishes to exercise his or her Award can do so, including the required form of payment for the Shares being purchased, the form of written notice of exercise provided to the Company and the place where such payments and notices must be delivered; and
- (ix) delegating any or all of the powers of the Committee to administer the Plan to officers of the Company.

(b) Notwithstanding anything contained herein to the contrary, no amendment to the Plan requiring the approval of the shareholders of the Company under any applicable securities laws or requirements shall become effective until such approval is obtained. In addition to the foregoing, the approval of the holders of a majority of the Shares present and voting in person or by proxy at a meeting of shareholders shall be required for:

- (i) an increase in the maximum number of Shares that may be made the subject of Awards under the Plan;
- (ii) any adjustment (other than in connection with a stock dividend, recapitalization or other transaction where an adjustment is permitted or required under Section 5(d)(i) or Section 5(d)(ii)) or amendment that reduces or would have the effect of reducing the exercise price of an Option or Stock Appreciation Right previously granted under the Plan, whether through amendment, cancellation or replacement grants, or other means (provided that, in such a case, insiders of the Company who benefit from such amendment are not eligible to vote their Shares in respect of the approval);
- (iii) an increase in the limits on Awards that may be granted to any Participant under Section 5(c) and Section 5(g);
- (iv) an extension of the term of an outstanding Option or Stock Appreciation Right beyond the expiry date thereof;
- (v) permitting Options granted under the Plan to be Transferrable other than for normal estate settlement purposes; and
- (vi) any amendment to the plan amendment provisions set forth in this Section 15 which is not an amendment within the nature of Section 15(a)(i) or Section 15(a)(ii), unless the change results from application of Section 5(d)(i) or Section 5(d)(ii).

Furthermore, except as otherwise permitted under the Plan, no change to an outstanding Award that will adversely impair the rights of a Participant may be made without the consent of the Participant except to the extent that such change is required to comply with applicable law, stock exchange rules and regulations or accounting or tax rules and regulations.

Section 16. Miscellaneous.

(a) The Plan is intended to constitute an “unfunded” plan for incentive and deferred compensation. With respect to any payment as to which a Participant has a fixed and vested interest but which are not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any right that is greater than those of a general unsecured creditor of the Company.

(b) No employee, Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of employees, Participants, or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient. Any Award granted under the Plan shall be a one-time Award which does not constitute a promise of future grants. The Company, in its sole discretion, maintains the right to make available future grants hereunder.

(c) The Company shall have the right to deduct from any payment to be made pursuant to the Plan, or to otherwise require, prior to the issuance or delivery of Shares or the payment of any cash hereunder, payment by the Participant of, any federal, state or local taxes required by law to be withheld. Upon the vesting of Restricted Stock (or other Award that is taxable upon vesting), or upon making an election under Section 83(b) of the Code, a Participant shall pay all required withholding to the Company. Any statutorily required withholding obligation with regard to any Participant may be satisfied, subject to the consent of the Committee, by reducing the number of Shares otherwise deliverable or by delivering Shares already owned. Any fraction of a Share required to satisfy such tax obligations shall be disregarded and the amount due shall be paid instead in cash by the Participant.

(d) Nothing contained in the Plan shall prevent the Company from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(e) The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of, or to continue to provide services to, the Company or any Affiliate. Further, the Company or the applicable Affiliate may at any time dismiss a Participant, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or in any other agreement binding the parties. The receipt of any Award under the Plan is not intended to confer any rights on the receiving Participant except as set forth in such Award.

(f) If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

(g) Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company.

(h) No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash or other securities shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(i) No Award or other benefit payable under the Plan shall, except as otherwise specifically provided by law or permitted by the Committee, be Transferable in any manner, and any attempt to Transfer any such benefit shall be void, and any such benefit shall not in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such benefit, nor shall it be subject to attachment or legal process for or against such person.

(j) Unless otherwise determined by the Committee, as long as the Shares are listed on a national securities exchange including the TSX or system sponsored by a national securities association, the issuance of Shares pursuant to an Award shall be conditioned upon such shares being listed on such exchange or system. The Company shall have no obligation to issue such Shares unless and until such Shares are so listed, and the right to exercise any Option or other Award with respect to such Shares shall be suspended until such listing has been effected. If at any time counsel to the Company shall be of the opinion that any sale or delivery of Shares pursuant to an Option or other Award is or may in the circumstances be unlawful or result in the imposition of excise taxes on the Company under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act or otherwise, with respect to Shares or Awards, and the right to exercise any Option or other Award shall be suspended until, in the opinion of said counsel, such sale or delivery shall be lawful or will not result in the imposition of excise taxes on the Company. A Participant shall be required to supply the Company with certificates, representations and information that the Company requests and otherwise cooperate with the Company in obtaining any listing, registration, qualification, exemption, consent or approval the Company deems necessary or appropriate.

(k) No Award granted or paid out under the Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or its Affiliates nor affect any benefit under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation. The provisions of Awards need not be the same with respect to each Participant, and such Awards to individual Participants need not be the same in subsequent years.

(l) All elections and transactions under the Plan by persons subject to Section 16 of the Act involving Shares are intended to comply with any applicable exemptive condition under Rule 16b-3. The Committee may establish and adopt written administrative guidelines, designed to facilitate compliance with Section 16(b) of the Act, as it may deem necessary or proper for the administration and operation of the Plan and the transaction of business thereunder.

(m) The Plan shall be binding on all successors and permitted assigns of a Participant, including, without limitation, the estate of such Participant and the executor, administrator or trustee of such estate. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipt thereof shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Committee, the Board, the Company, its Affiliates and their employees, agents and representatives with respect thereto.

Section 17. Effective Date of the Plan. The Plan shall be effective as of the Effective Date, which is the date of adoption by the Board, subject to the approval of the Plan by the shareholders of the Company in accordance with the requirements of the laws of the Province of Ontario.

Section 18. Term of the Plan. No Award shall be granted under the Plan after ten years from the Effective Date. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and the authority of the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award, or to waive any conditions or rights under any such Award, and the authority of the Board to amend the Plan, shall extend beyond such date.

Section 19. Section 409A of the Code.

(a) The Plan is intended to comply with the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. To the extent that any Award is subject to Section 409A of the Code, it shall be paid in a manner that will comply with Section 409A of the Code, including proposed, temporary or final regulations or any other guidance issued by the Secretary of the Treasury and the Internal Revenue Service with respect thereto. Notwithstanding anything herein to the contrary, any provision in the Plan that is inconsistent with Section 409A of the Code shall be deemed to be amended to comply with Section 409A of the Code and to the extent such provision cannot be amended to comply therewith, such provision shall be null and void. The Company shall have no liability to a Participant, or any other party, if an Award that is intended to be exempt from, or compliant with, Section 409A of the Code is not so exempt or compliant or for any action taken by the Committee or the Company and, in the event that any amount or benefit under the Plan becomes subject to penalties under Section 409A of the Code, responsibility for payment of such penalties shall rest solely with the affected Participants and not with the Company. Notwithstanding any contrary provision in the Plan or Award Agreement, any payment(s) of "nonqualified deferred compensation" (within the meaning of Section 409A of the Code) that are otherwise required to be made under the Plan to a "specified employee" (as defined under Section 409A of the Code) as a result of such employee's separation from service (other than a payment that is not subject to Section 409A of the Code) shall be delayed for the first six (6) months following such separation from service (or, if earlier, the date of death of the specified employee) and shall instead be paid (in a manner set forth in the Award Agreement) upon expiration of such delay period.

(b) Notwithstanding the foregoing, the Company does not make any representation to any Participant or Beneficiary as to the tax consequences of any Awards made pursuant to this Plan, and the Company shall have no liability or other obligation to indemnify or hold harmless the Participant or any Beneficiary for any tax, additional tax, interest or penalties that the Participant or any Beneficiary may incur as a result of the grant, vesting, exercise or settlement of an Award under this Plan.

Section 20. Governing Law; Waiver of Jury Trial. This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario. Any suit, action or proceeding with respect to the Plan or any Award Agreement, or any judgment entered by any court of competent jurisdiction in respect of any thereof, shall be resolved only in the courts of the Province of Ontario. In that context, and without limiting the generality of the foregoing, the Company and each Participant shall irrevocably and unconditionally (a) submit in any proceeding relating to the Plan or any Award Agreement, or for the recognition and enforcement of any judgment in respect

thereof (a “**Proceeding**”), to the exclusive jurisdiction of the courts of the Province of Ontario, and agree that all claims in respect of any such Proceeding shall be heard and determined in such Ontario court or, to the extent permitted by law, in such federal court, (b) consent that any such Proceeding may and shall be brought in such courts and waives any objection that the Company and each Participant may now or thereafter have to the venue or jurisdiction of any such Proceeding in any such court or that such Proceeding was brought in an inconvenient court and agree not to plead or claim the same, (c) waive all right to trial by jury in any Proceeding (whether based on contract, tort or otherwise) arising out of or relating to the Plan or any Award Agreement, (d) agree that service of process in any such Proceeding may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party, in the case of a Participant, at the Participant’s address shown in the books and records of the Company or, in the case of the Company, at the Company’s principal offices, attention General Counsel, and (e) agree that nothing in the Plan shall affect the right to effect service of process in any other manner permitted by the laws of the Province of Ontario.

Section 21. TSX Requirements.

The number of Shares issuable to Insiders, at any time, under all Security Based Compensation Arrangements of the Company, may not exceed 10% of the Company’s issued and outstanding Shares; and the number of Shares issued to Insiders within any one-year period, under all Security Based Compensation Arrangements of the Company, may not exceed 10% of the Company’s issued and outstanding Shares. For the purpose of this Section 21, “**Insider**” shall mean, (i) every director or senior officer of the Company; (ii) every director or senior officer of a company that is itself an insider or subsidiary of the Company; (iii) any person or company who beneficially owns, directly or indirectly, voting securities of the Company or who exercises control or direction over voting securities of the Company or a combination of both carrying more than 10% of the voting rights attached to all voting securities of the Company for the time being outstanding other than voting securities held by the person or company as underwriter in the course of a distribution; (iv) any associate or affiliate of the Insider; and (v) the Company where it has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities, and “**Security Based Compensation Arrangement**” shall mean any (i) any stock option plans for the benefit of employees, insiders, service providers or any one of such groups; (ii) individual stock options granted to employees, service providers or insiders if not granted pursuant to a plan previously approved by the Company’s securityholders; (iii) share purchase plans where the Company provides financial assistance or where the Company matches the whole or a portion of the securities being purchased; (iv) stock appreciation rights involving issuances of securities from treasury; (v) any other compensation or incentive mechanism involving the issuance or potential issuances of securities of the Company; and (vi) security purchases from treasury by an employee, insider or service provider which is financially assisted by the Company by any means whatsoever.

EXHIBIT A

PERFORMANCE GOALS

To the extent permitted under Section 162(m) of the Code, performance goals established for purposes of Awards granted pursuant to a written binding contract in effect on November 2, 2017 intended to be “performance-based compensation” under Section 162(m) of the Code, shall be based on the attainment of certain target levels of, or a specified increase or decrease (as applicable) in one or more of the following performance goals, which may include performance relative to the Company’s peers or those of the Company’s Affiliates or to the industry or industries in which the Company and/or its affiliates operates:

- earnings per share;
- net earnings;
- operating income;
- gross income;
- net income (before or after taxes);
- cash flow (including free cash flow, operating cash flow and cash flow return on investment);
- gross profit;
- profit before taxes;
- operating profit;
- gross profit return on investment;
- gross margin return on investment;
- gross margin;
- operating margin;
- working capital;
- earnings before interest and taxes;
- earnings before interest, tax, depreciation and amortization;
- net income before depreciation and amortization, interest expense, net, loss on early extinguishment of debt, and income tax expense, and excluding the impact of share-based compensation, other operating income (expense), net, and any other identified costs associated with non-recurring projects;
- earnings ratios;
- return on equity;
- return on assets;
- return on capital;
- return on invested capital;
- net revenues;

- gross revenues;
- revenue growth;
- annual recurring revenues;
- recurring revenues;
- license revenues;
- sales or market share;
- total shareholder return;
- economic value added;
- customers or customer growth;
- number of restaurants or restaurant growth;
- restaurant traffic;
- inventory turnover;
- receivable turnover;
- financial return ratios;
- customer satisfaction surveys;
- productivity;
- specified objectives with regard to limiting the level of increase in all or a portion of the Company's bank debt or that of any of its Affiliates or other long-term or short-term public or private debt or other similar financial obligations of the Company or any of its Affiliates, which may be calculated net of cash balances and/or other offsets and adjustments as may be established by the Committee in its sole discretion;
- the fair market value of a Share;
- Share price (including, but not limited to, growth in Share price);
- the growth in the value of an investment in the Share assuming the reinvestment of dividends;
- reduction in operating and/or other expenses;
- Restaurant cleanliness and/or other operational, safety and/or quality metrics measured by the Company or any of its Affiliates;
- Restaurant image or remodeling; or
- Product innovation or menu.

With respect to Awards that are intended to qualify as “performance-based compensation” under Section 162(m) of the Code and all Awards granted after November 2, 2017, to the extent permitted under Section 162(m) of the Code, the Committee may, in its sole discretion, also exclude, or adjust to reflect, the impact of an event or occurrence, or of any item, reflected in Section 10(b)(iii) of the Plan that the Committee determines should be appropriately excluded or adjusted.

Performance goals may also be based upon individual participant performance goals, as determined by the Committee, in its sole discretion. In addition, Awards that are not intended to qualify as “performance-based compensation” under Section 162(m) of the Code may be based on the performance goals set forth herein or on such other performance goals as determined by the Committee in its sole discretion.

In addition, such performance goals may be based upon the attainment of specified levels of Company (or subsidiary, other Affiliate, division, other operational unit, administrative department or product category of the Company or any of its Affiliates) performance under one or more of the measures described above relative to the performance of other corporations. With respect to Awards that are intended to qualify as “performance-based compensation” under Section 162(m) of the Code, to the extent permitted under Section 162(m) of the Code, but only to the extent permitted under Section 162(m) of the Code (including, without limitation, compliance with any requirements for stockholder approval), the Committee may also:

- (a) designate additional business criteria on which the performance goals may be based; or
- (b) adjust, modify or amend the aforementioned business criteria.

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Section 3: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION

I, Daniel Schwartz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Restaurant Brands International Inc.:
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Daniel Schwartz

Daniel Schwartz

Chief Executive Officer

Dated: August 1, 2018

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Section 4: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION

I, Matthew Dunnigan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Restaurant Brands International Inc.:
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting

to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Matthew Dunnigan

Matthew Dunnigan

Chief Financial Officer

Dated: August 1, 2018

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Section 5: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Restaurant Brands International Inc. (the "Company") for the quarter ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel Schwartz, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel Schwartz

Dated: August 1, 2018

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Section 6: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Restaurant Brands International Inc. (the “Company”) for the quarter ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew Dunnigan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Matthew Dunnigan

Matthew Dunnigan

Chief Financial Officer

Date: August 1, 2018

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