
Section 1: 10-Q (10-Q)

[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2019

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.)

130 King Street West, Suite 300
Toronto, Ontario
(Address of Principal Executive Offices)

M5X 1E1
(Zip Code)

(905) 845-6511
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Shares, without par value

Trading Symbols
QSR

Name of each exchange on which registered
New York Stock Exchange
Toronto Stock Exchange

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 every Interactive Data File required to be submitted 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 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,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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.

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

As of October 24, 2019, there were 298,114,230 common shares of the Registrant outstanding.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I – Financial Information</u>	
Item 1. <u>Financial Statements</u>	<u>3</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>31</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>45</u>
Item 4. <u>Controls and Procedures</u>	<u>45</u>
<u>PART II – Other Information</u>	
Item 6. <u>Exhibits</u>	<u>47</u>
<u>Signatures</u>	<u>48</u>

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	
	September 30, 2019	December 31, 2018
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,732	\$ 913
Accounts and notes receivable, net of allowance of \$16 and \$14, respectively	472	452
Inventories, net	83	75
Prepays and other current assets	86	60
Total current assets	2,373	1,500
Property and equipment, net of accumulated depreciation and amortization of \$709 and \$704, respectively	1,981	1,996
Operating lease assets, net	1,147	—
Intangible assets, net	10,439	10,463
Goodwill	5,579	5,486
Net investment in property leased to franchisees	47	54
Other assets, net	683	642
Total assets	\$ 22,249	\$ 20,141
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts and drafts payable	\$ 510	\$ 513
Other accrued liabilities	797	637
Gift card liability	94	167
Current portion of long term debt and finance leases (Note 10)	776	91
Total current liabilities	2,177	1,408
Term debt, net of current portion	11,568	11,823
Finance leases, net of current portion	279	226
Operating lease liabilities, net of current portion	1,055	—
Other liabilities, net	1,598	1,547
Deferred income taxes, net	1,509	1,519
Total liabilities	18,186	16,523
Shareholders' equity:		
Common shares, no par value; unlimited shares authorized at September 30, 2019 and December 31, 2018; 298,095,767 shares issued and outstanding at September 30, 2019; 251,532,493 shares issued and outstanding at December 31, 2018	2,460	1,737
Retained earnings	762	674
Accumulated other comprehensive income (loss)	(864)	(800)
Total Restaurant Brands International Inc. shareholders' equity	2,358	1,611
Noncontrolling interests	1,705	2,007
Total shareholders' equity	4,063	3,618
Total liabilities and shareholders' equity	\$ 22,249	\$ 20,141

See accompanying notes to condensed consolidated financial statements.

[Table of Contents](#)

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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues:				
Sales	\$ 624	\$ 609	\$ 1,735	\$ 1,743
Franchise and property revenues	834	766	2,389	2,229
Total revenues	1,458	1,375	4,124	3,972
Operating costs and expenses:				
Cost of sales	475	470	1,334	1,348
Franchise and property expenses	133	107	401	314
Selling, general and administrative expenses	320	298	948	917
(Income) loss from equity method investments	(11)	(4)	(11)	(17)
Other operating expenses (income), net	(30)	26	(44)	9
Total operating costs and expenses	887	897	2,628	2,571
Income from operations	571	478	1,496	1,401
Interest expense, net	137	135	406	405
Loss on early extinguishment of debt	4	—	4	—
Income before income taxes	430	343	1,086	996
Income tax expense	79	93	232	153
Net income	351	250	854	843
Net income attributable to noncontrolling interests (Note 12)	150	116	376	394
Net income attributable to common shareholders	\$ 201	\$ 134	\$ 478	\$ 449
Earnings per common share				
Basic	\$ 0.76	\$ 0.53	\$ 1.85	\$ 1.81
Diluted	\$ 0.75	\$ 0.53	\$ 1.82	\$ 1.78
Weighted average shares outstanding				
Basic	267	251	258	249
Diluted	470	475	469	474

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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	\$ 351	\$ 250	\$ 854	\$ 843
Foreign currency translation adjustment	(173)	147	185	(325)
Net change in fair value of net investment hedges, net of tax of \$(37), \$0, \$2 and \$(38)	143	(83)	27	33
Net change in fair value of cash flow hedges, net of tax of \$9, \$7, \$43 and \$(3)	(25)	24	(116)	52
Amounts reclassified to earnings of cash flow hedges, net of tax of \$(2), \$1, \$(3) and \$(1)	5	8	7	14
Other comprehensive income (loss)	(50)	96	103	(226)
Comprehensive income (loss)	301	346	957	617
Comprehensive income (loss) attributable to noncontrolling interests	129	161	424	288
Comprehensive income (loss) attributable to common shareholders	\$ 172	\$ 185	\$ 533	\$ 329

See accompanying notes to condensed consolidated financial statements.

[Table of Contents](#)

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Shareholders' Equity

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

(Unaudited)

	Issued Common Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
	Shares	Amount				
Balances at December 31, 2018	251,532,493	\$ 1,737	\$ 674	\$ (800)	\$ 2,007	\$ 3,618
Cumulative effect adjustment	—	—	12	—	9	21
Stock option exercises	2,019,620	42	—	—	—	42
Share-based compensation	—	22	—	—	—	22
Issuance of shares	134,809	7	—	—	—	7
Dividends declared (\$0.50 per share)	—	—	(127)	—	—	(127)
Dividend equivalents declared on restricted stock units	—	2	(2)	—	—	—
Distributions declared by Partnership on Partnership exchangeable units (\$0.50 per unit)	—	—	—	—	(104)	(104)
Exchange of Partnership exchangeable units for RBI common shares	141,190	2	—	(1)	(1)	—
Net income	—	—	135	—	111	246
Other comprehensive income (loss)	—	—	—	26	22	48
Balances at March 31, 2019	253,828,112	\$ 1,812	\$ 692	\$ (775)	\$ 2,044	\$ 3,773
Stock option exercises	1,697,488	38	—	—	—	38
Share-based compensation	—	17	—	—	—	17
Issuance of shares	59,970	—	—	—	—	—
Dividends declared (\$0.50 per share)	—	—	(128)	—	—	(128)
Dividend equivalents declared on restricted stock units	—	2	(2)	—	—	—
Distributions declared by Partnership on Partnership exchangeable units (\$0.50 per unit)	—	—	—	—	(103)	(103)
Exchange of Partnership exchangeable units for RBI common shares	45,325	1	—	—	(1)	—
Restaurant VIE contributions (distributions)	—	—	—	—	1	1
Net income	—	—	142	—	115	257
Other comprehensive income (loss)	—	—	—	58	47	105
Balances at June 30, 2019	255,630,895	\$ 1,870	\$ 704	\$ (717)	\$ 2,103	\$ 3,960
Stock option exercises	636,918	19	—	—	—	19
Share-based compensation	—	17	—	—	—	17
Issuance of shares	20,700	—	—	—	—	—
Dividends declared (\$0.50 per share)	—	—	(141)	—	—	(141)
Dividend equivalents declared on restricted stock units	—	2	(2)	—	—	—
Distributions declared by Partnership on Partnership exchangeable units (\$0.50 per unit)	—	—	—	—	(92)	(92)
Exchange of Partnership exchangeable units for RBI common shares	41,807,254	552	—	(118)	(434)	—
Restaurant VIE contributions (distributions)	—	—	—	—	(1)	(1)
Net income	—	—	201	—	150	351
Other comprehensive income (loss)	—	—	—	(29)	(21)	(50)
Balances at September 30, 2019	298,095,767	\$ 2,460	\$ 762	\$ (864)	\$ 1,705	\$ 4,063

See accompanying notes to condensed consolidated financial statements.

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

	Issued Common Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
	Shares	Amount				
Balances at December 31, 2017	243,899,476	\$ 2,052	\$ 651	\$ (476)	\$ 2,334	\$ 4,561
Cumulative effect adjustment	—	—	(132)	—	(118)	(250)
Stock option exercises	5,058,992	25	—	—	—	25
Share-based compensation	—	14	—	—	—	14
Issuance of shares	113,733	5	—	—	—	5
Dividends declared (\$0.45 per share)	—	—	(112)	—	—	(112)
Distributions declared by Partnership on Partnership exchangeable units (\$0.45 per unit)	—	—	—	—	(98)	(98)
Exchange of Partnership exchangeable units for RBI common shares	29,432	—	—	—	—	—
Restaurant VIE contributions (distributions)	—	—	—	—	1	1
Net income	—	—	148	—	131	279
Other comprehensive income (loss)	—	—	—	(97)	(86)	(183)
Balances at March 31, 2018	249,101,633	\$ 2,096	\$ 555	\$ (573)	\$ 2,164	\$ 4,242
Stock option exercises	410,383	4	—	—	—	4
Share-based compensation	—	13	—	—	—	13
Issuance of shares	12,332	1	—	—	—	1
Dividends declared (\$0.45 per share)	—	—	(112)	—	—	(112)
Dividend equivalents declared on restricted stock units	—	2	(2)	—	—	—
Distributions declared by Partnership on Partnership exchangeable units (\$0.45 per unit)	—	—	—	—	(98)	(98)
Exchange of Partnership exchangeable units for RBI common shares	42,923	—	—	—	—	—
Net income	—	—	167	—	147	314
Other comprehensive income (loss)	—	—	—	(74)	(65)	(139)
Balances at June 30, 2018	249,567,271	\$ 2,116	\$ 608	\$ (647)	\$ 2,148	\$ 4,225
Stock option exercises	1,438,979	24	—	—	—	24
Share-based compensation	—	13	—	—	—	13
Issuance of shares	21,123	—	—	—	—	—
Dividends declared (\$0.45 per share)	—	—	(114)	—	—	(114)
Dividend equivalents declared on restricted stock units	—	2	(2)	—	—	—
Distributions declared by Partnership on Partnership exchangeable units (\$0.45 per unit)	—	—	—	—	(98)	(98)
Exchange of Partnership exchangeable units for RBI common shares	92,978	2	—	—	(2)	—
Net income	—	—	134	—	116	250
Other comprehensive income (loss)	—	—	—	51	45	96
Balances at September 30, 2018	251,120,351	\$ 2,157	\$ 626	\$ (596)	\$ 2,209	\$ 4,396

See accompanying notes to condensed consolidated financial statements.

[Table of Contents](#)**RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES**

Condensed Consolidated Statements of Cash Flows

(In millions of U.S. dollars)

(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 854	\$ 843
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	139	138
Non-cash loss on early extinguishment of debt	4	—
Amortization of deferred financing costs and debt issuance discount	22	22
(Income) loss from equity method investments	(11)	(17)
(Gain) loss on remeasurement of foreign denominated transactions	(38)	(19)
Net (gains) losses on derivatives	(43)	(24)
Share-based compensation expense	56	39
Deferred income taxes	(16)	6
Other	1	11
Changes in current assets and liabilities, excluding acquisitions and dispositions:		
Accounts and notes receivable	(7)	(1)
Inventories and prepaids and other current assets	(34)	(16)
Accounts and drafts payable	(15)	(24)
Other accrued liabilities and gift card liability	(85)	(284)
Tenant inducements paid to franchisees	(13)	(25)
Other long-term assets and liabilities	97	24
Net cash provided by (used for) operating activities	911	673
Cash flows from investing activities:		
Payments for property and equipment	(32)	(53)
Net proceeds from disposal of assets, restaurant closures, and refranchisings	22	2
Settlement/sale of derivatives, net	17	11
Other investing activities, net	—	12
Net cash provided by (used for) investing activities	7	(28)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	750	—
Repayments of long-term debt and finance leases	(290)	(66)
Payment of financing costs	(13)	—
Payment of dividends on common shares and distributions on Partnership exchangeable units	(669)	(517)
Payments in connection with redemption of preferred shares	—	(60)
Proceeds from stock option exercises	99	53
Proceeds from derivatives	17	—
Other financing activities, net	—	1
Net cash (used for) provided by financing activities	(106)	(589)
Effect of exchange rates on cash and cash equivalents	7	(10)
Increase (decrease) in cash and cash equivalents	819	46
Cash and cash equivalents at beginning of period	913	1,097
Cash and cash equivalents at end of period	\$ 1,732	\$ 1,143
Supplemental cash flow disclosures:		
Interest paid	\$ 433	\$ 411
Income taxes paid	\$ 171	\$ 374

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 September 30, 2019, we franchised or owned 4,887 Tim Hortons restaurants, 18,232 Burger King restaurants, and 3,192 Popeyes restaurants, for a total of 26,311 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 22, 2019.

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. The primary beneficiary is the entity that possesses the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the right to receive benefits from the VIE that are significant to it. Our maximum exposure to loss resulting from involvement with VIEs is attributable to accounts and notes receivable balances, outstanding loan guarantees and future lease payments, where applicable.

As our 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.

Table of Contents

Tim Hortons has historically entered into certain arrangements in which an operator acquires the right to operate a restaurant, but Tim Hortons owns the restaurant's assets. We perform an analysis to determine if the legal entity in which operations are conducted is a VIE and consolidate a VIE entity if we also determine Tim Hortons is the entity's primary beneficiary ("Restaurant VIEs"). As of September 30, 2019 and December 31, 2018, we determined that we are the primary beneficiary of 30 and 17 Restaurant VIEs, respectively, and accordingly, have consolidated the results of operations, assets and liabilities, and cash flows of these Restaurant VIEs in our Financial Statements. Material intercompany accounts and transactions have been eliminated in consolidation.

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

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

Certain prior year amounts in the accompanying Financial Statements and notes to the Financial Statements have been reclassified in order to be comparable with the current year classifications. These consist of the reclassification of \$25 million from changes in Other long-term assets and liabilities in the Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2018 to Tenant inducements paid to franchisees. These reclassifications had no effect on previously reported net income.

Note 3. New Accounting Pronouncements

Lease Accounting – In February 2016, the Financial Accounting Standard Board (the "FASB") issued new guidance on leases. We adopted this new guidance on January 1, 2019. See Note 4, *Leases*, for further information about our transition to this new lease accounting standard.

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. The adoption of this new guidance will not have a material impact on our Financial Statements.

Reclassification of Certain Tax Effects – In February 2018, the FASB issued guidance which allows a reclassification from accumulated other comprehensive income (loss) to retained earnings for the tax effects of certain items within accumulated other comprehensive income (loss). The amendment is effective commencing in 2019 with early adoption permitted. The adoption of this new guidance did not have a material impact 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. The adoption of this new guidance did not have a material impact on our Financial Statements.

Note 4. Leases

As of September 30, 2019, we leased or subleased 5,294 restaurant properties to franchisees and 183 non-restaurant properties to third parties under operating leases and direct financing leases where we are the lessor. Initial lease terms generally range from 10 to 20 years. Most leases to franchisees provide for fixed monthly payments and many provide for future rent escalations and renewal options. Certain leases also include provisions for variable rent, determined as a percentage of sales, generally when annual sales exceed specified levels. Lessees typically bear the cost of maintenance, insurance and property taxes.

We lease land, buildings, equipment, office space and warehouse space. Land and building leases generally have an initial term of 10 to 30 years, while land-only lease terms can extend longer, and most leases provide for fixed monthly payments. Many of these leases provide for future rent escalations and renewal options. Certain leases also include provisions for variable rent payments, determined as a percentage of sales, generally when annual sales exceed specified levels. Most leases also obligate us to pay, as lessee, the cost of maintenance, insurance and property taxes.

We transitioned to FASB Accounting Standards Codification (“ASC”) Topic 842, *Leases* (“ASC 842”), from ASC Topic 840, *Leases* (the “Previous Standard”) on January 1, 2019 on a modified retrospective basis using the effective date transition method. Our Financial Statements reflect the application of ASC 842 guidance beginning in 2019, while our consolidated financial statements for prior periods were prepared under the guidance of the Previous Standard. 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. Our transition to ASC 842 resulted in the gross presentation of property tax and maintenance expenses and related lessee reimbursements as franchise and property expenses and franchise and property revenues, respectively. These expenses and reimbursements were presented on a net basis under the Previous Standard.

In connection with our transition to ASC 842, we elected the package of practical expedients under which we did 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 also elected lessee and lessor practical expedients to not separate non-lease components comprised of maintenance from lease components for real estate leases that commenced prior to our transition to ASC 842, as well as for leases that commence or that are modified subsequent to our transition to ASC 842. We did not elect the practical expedient that permitted a reassessment of lease terms for existing leases.

Financial Statement Impact of Transition to ASC 842

Transition Impact on January 1, 2019 Condensed Consolidated Balance Sheet

Our transition to ASC 842 represents a change in accounting principle. The \$21 million cumulative effect of our transition to ASC 842 is reflected as an adjustment to January 1, 2019 Shareholders' equity.

Our transition to ASC 842 resulted in the following adjustments to our condensed consolidated balance sheet as of January 1, 2019 (in millions):

	As Reported	Total	Adjusted
	December 31, 2018	Adjustments	January 1, 2019
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 913	\$ —	\$ 913
Accounts and notes receivable, net	452	—	452
Inventories, net	75	—	75
Prepays and other current assets	60	—	60
Total current assets	1,500	—	1,500
Property and equipment, net	1,996	26 (a)	2,022
Operating lease assets, net	—	1,143 (b)	1,143
Intangible assets, net	10,463	(133) (c)	10,330
Goodwill	5,486	—	5,486
Net investment in property leased to franchisees	54	—	54
Other assets, net	642	—	642
Total assets	\$ 20,141	\$ 1,036	\$ 21,177
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities:			
Accounts and drafts payable	\$ 513	\$ —	\$ 513
Other accrued liabilities	637	114 (d)	751
Gift card liability	167	—	167
Current portion of long term debt and finance leases	91	—	91
Total current liabilities	1,408	114	1,522
Term debt, net of current portion	11,823	(65) (e)	11,758
Finance leases, net of current portion	226	62 (e)	288
Operating lease liabilities, net of current portion	—	1,028 (f)	1,028
Other liabilities, net	1,547	(132) (g)	1,415
Deferred income taxes, net	1,519	8 (h)	1,527
Total liabilities	16,523	1,015	17,538
Shareholders' equity:			
Common shares	1,737	—	1,737
Retained earnings	674	12 (i)	686
Accumulated other comprehensive income (loss)	(800)	—	(800)
Total RBI shareholders' equity	1,611	12	1,623
Noncontrolling interests	2,007	9 (i)	2,016
Total shareholders' equity	3,618	21	3,639
Total liabilities and shareholders' equity	\$ 20,141	\$ 1,036	\$ 21,177

(a) Represents the net change in assets recorded in connection with build-to-suit leases.

(b) Represents the capitalization of operating lease right-of-use ("ROU") assets equal to the amount of recognized operating lease liability, adjusted by the net carrying amounts of related favorable lease assets and unfavorable lease liabilities in which we are the lessee and straight-line rent accruals, which were reclassified to operating lease ROU assets.

Table of Contents

- (c) *Represents the net carrying amount of favorable lease assets associated with leases in which we are the lessee, which have been reclassified to operating lease ROU assets.*
- (d) *Represents the current portion of operating lease liabilities.*
- (e) *Represents the net change in liabilities recorded in connection with build-to-suit leases.*
- (f) *Represents the recognition of operating lease liabilities, net of current portion.*
- (g) *Represents the net carrying amount of unfavorable lease liabilities associated with leases in which we are the lessee and \$64 million of straight-line rent accruals which have been reclassified to operating lease ROU assets.*
- (h) *Represents the net tax effects of the adjustments noted above, with a corresponding adjustment to shareholders' equity.*
- (i) *Represents net change in assets and liabilities recorded in connection with built-to-suit leases and the tax effects of adjustments noted above.*

Changes to Lease Accounting Significant Accounting Policies Under ASC 842

In all leases, whether we are the lessor or lessee, we define lease term as the noncancellable term of the lease plus any renewals covered by renewal options that are reasonably certain of exercise based on our assessment of the economic factors relevant to the lessee. The noncancellable term of the lease commences on the date the lessor makes the underlying property in the lease available to the lessee, irrespective of when lease payments begin under the contract.

Lessor Accounting

We recognize lease payments for operating leases as property revenue on a straight-line basis over the lease term and property revenue is presented net of any related sales tax. Lease incentive payments we make to lessees are amortized as a reduction in property revenue over the lease term. We account for reimbursements of maintenance and property tax costs paid to us by lessees as variable lease payment property revenue.

We also have net investments in properties leased to franchisees, which met the criteria of direct financing leases under the Previous Standard. Investments in direct financing leases are recorded on a net basis, consisting of the gross investment and estimated residual value in the lease, less unearned income. Unearned income on direct financing leases is recognized over the lease term yielding a constant periodic rate of return on the net investment in the lease. We do not remeasure the net investment in a direct financing lease unless the lease is modified and that modification is not accounted for as a separate contract.

We recognize variable lease payment income for operating and direct financing leases in the period when changes in facts and circumstances on which the variable lease payments are based occur.

Lessee Accounting

In leases where we are the lessee, we recognize an ROU asset and lease liability at lease commencement, which are measured by discounting lease payments using our incremental borrowing rate as the discount rate. We determine the incremental borrowing rate applicable to each lease by reference to our outstanding secured borrowings and implied spreads over the risk-free discount rates that correspond to the term of each lease, as adjusted for the currency of the lease. Subsequent amortization of the ROU asset and accretion of the lease liability for an operating lease is recognized as a single lease cost, on a straight-line basis, over the lease term. Amortization of the ROU asset and the change in the lease liability are included in changes in Other long-term assets and liabilities in the Condensed Consolidated Statement of Cash Flows. A finance lease ROU asset is depreciated on a straight-line basis over the lesser of the useful life of the leased asset or lease term. Interest on each finance lease liability is determined as the amount that results in a constant periodic discount rate on the remaining balance of the liability. ROU assets are assessed for impairment in accordance with our long-lived asset impairment policy. We reassess lease classification and remeasure ROU assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate contract or upon certain other events that require reassessment in accordance with ASC 842. Maintenance and property tax expenses are accounted for on an accrual basis as variable lease cost.

We recognize variable lease cost for operating and finance leases in the period when changes in facts and circumstances on which the variable lease payments are based occur.

Table of Contents

Company as Lessor

Assets leased to franchisees and others under operating leases where we are the lessor and which are included within our property and equipment, net are as follows (in millions):

	As of September 30, 2019
Land	\$ 903
Buildings and improvements	1,131
Restaurant equipment	21
	<u>2,055</u>
Accumulated depreciation and amortization	(451)
Property and equipment leased, net	<u>\$ 1,604</u>

Our net investment in direct financing leases is as follows (in millions):

	As of September 30, 2019
Future rents to be received:	
Future minimum lease receipts	\$ 50
Contingent rents (a)	21
Estimated unguaranteed residual value	15
Unearned income	(28)
	<u>58</u>
Current portion included within accounts receivables	(11)
Net investment in property leased to franchisees	<u>\$ 47</u>

(a) Amounts represent estimated contingent rents recorded in connection with the acquisition method of accounting.

Property revenues are comprised primarily of lease income from operating leases and earned income on direct financing leases with franchisees as follows (in millions):

	Three months ended September 30, 2019	Nine months ended September 30, 2019
Lease income - operating leases		
Minimum lease payments	\$ 112	\$ 335
Variable lease payments	100	281
Amortization of favorable and unfavorable income lease contracts, net	1	5
Subtotal - lease income from operating leases	<u>213</u>	<u>621</u>
Earned income on direct financing leases	2	7
Total property revenues	<u>\$ 215</u>	<u>\$ 628</u>

Table of Contents

Company as Lessee

Lease cost and other information associated with these lease commitments is as follows (in millions):

Lease Cost (Income)

	Three months ended September 30, 2019	Nine months ended September 30, 2019
Operating lease cost	\$ 52	\$ 158
Operating lease variable lease cost	51	151
Finance lease cost:		
Amortization of right-of-use assets	7	20
Interest on lease liabilities	5	16
Sublease income	(164)	(483)
Total lease cost (income)	\$ (49)	\$ (138)

Lease Term and Discount Rate as of September 30, 2019

Weighted-average remaining lease term (in years):	
Operating leases	11.0 years
Finance leases	11.1 years
Weighted-average discount rate:	
Operating leases	6.4%
Finance leases	7.5%

Other Information for the nine months ended September 30, 2019

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 145
Operating cash flows from finance leases	\$ 16
Financing cash flows from finance leases	\$ 20
Right-of-use assets obtained in exchange for new finance lease obligations	\$ 5
Right-of-use assets obtained in exchange for new operating lease obligations	\$ 106

Maturity Analysis

As of September 30, 2019, future minimum lease receipts and commitments are as follows (in millions):

	Lease Receipts		Lease Commitments (a)	
	Direct Financing Leases	Operating Leases	Finance Leases	Operating Leases
Remainder of 2019	\$ 3	\$ 106	\$ 12	\$ 49
2020	10	406	46	190
2021	7	383	44	178
2022	5	360	42	166
2023	5	337	39	151
Thereafter	20	1,899	270	961
Total minimum receipts / payments	\$ 50	\$ 3,491	453	1,695
Less amount representing interest (b)			(147)	(518)
Present value of minimum lease payments			306	1,177
Current portion of lease obligations			(27)	(122)
Long-term portion of lease obligations			\$ 279	\$ 1,055

(a) Minimum lease commitments have not been reduced by minimum sublease rentals of \$2,298 million due in the future under non-cancelable subleases.

(b) Calculated using the interest rate for each lease.

Table of Contents

As of December 31, 2018, future minimum lease receipts and commitments are as follows (in millions):

	Lease Receipts		Lease Commitments (a)	
	Direct Financing Leases	Operating Leases	Finance Leases	Operating Leases
2019	\$ 14	\$ 416	\$ 38	\$ 183
2020	10	388	36	172
2021	7	360	34	158
2022	5	331	33	145
2023	5	306	30	130
Thereafter	19	1,704	201	831
Total minimum receipts / payments	\$ 60	\$ 3,505	372	\$ 1,619
Less amount representing interest			(125)	
Present value of minimum finance lease payments			247	
Current portion of finance lease obligation			(21)	
Long-term portion of finance lease obligation			\$ 226	

(a) Minimum lease commitments have not been reduced by minimum sublease rentals of \$2,290 million due in the future under non-cancelable subleases.

Note 5. Revenue Recognition

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 December 31, 2018 and September 30, 2019 (in millions):

Contract Liabilities	TH	BK	PLK	Consolidated
Balance at December 31, 2018	\$ 62	\$ 405	\$ 19	\$ 486
Revenue recognized that was included in the contract liability balance at the beginning of the year	(7)	(30)	(1)	(38)
Increase, excluding amounts recognized as revenue during the period	6	55	6	67
Impact of foreign currency translation	1	(9)	—	(8)
Balance at September 30, 2019	\$ 62	\$ 421	\$ 24	\$ 507

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 September 30, 2019 (in millions):

Contract liabilities expected to be recognized in	TH	BK	PLK	Consolidated
Remainder of 2019	\$ 2	\$ 9	\$ —	\$ 11
2020	8	32	2	42
2021	7	31	2	40
2022	7	31	2	40
2023	6	30	1	37
Thereafter	32	288	17	337
Total	\$ 62	\$ 421	\$ 24	\$ 507

Table of Contents

Disaggregation of Total Revenues

Total revenues consist of the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Sales	\$ 624	\$ 609	\$ 1,735	\$ 1,743
Royalties	602	557	1,706	1,611
Property revenues	215	192	628	560
Franchise fees and other revenue	17	17	55	58
Total revenues	\$ 1,458	\$ 1,375	\$ 4,124	\$ 3,972

Note 6. 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 12, *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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Numerator:				
Net income attributable to common shareholders - basic	\$ 201	\$ 134	\$ 478	\$ 449
Add: Net income attributable to noncontrolling interests	150	116	376	393
Net income available to common shareholders and noncontrolling interests - diluted	<u>\$ 351</u>	<u>\$ 250</u>	<u>\$ 854</u>	<u>\$ 842</u>
Denominator:				
Weighted average common shares - basic	267	251	258	249
Exchange of noncontrolling interests for common shares (Note 12)	197	218	204	218
Effect of other dilutive securities	6	6	7	7
Weighted average common shares - diluted	<u>470</u>	<u>475</u>	<u>469</u>	<u>474</u>
Basic earnings per share (a)	\$ 0.76	\$ 0.53	\$ 1.85	\$ 1.81
Diluted earnings per share (a)	\$ 0.75	\$ 0.53	\$ 1.82	\$ 1.78
Anti-dilutive securities outstanding	3	6	3	6

(a) Earnings per share may not recalculate exactly as it is calculated based on unrounded numbers.

[Table of Contents](#)

Note 7. Intangible Assets, net and Goodwill

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

	As of					
	September 30, 2019			December 31, 2018		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Identifiable assets subject to amortization:						
Franchise agreements	\$ 709	\$ (214)	\$ 495	\$ 705	\$ (194)	\$ 511
Favorable leases (a)	129	(64)	65	407	(200)	207
Subtotal	838	(278)	560	1,112	(394)	718
Indefinite lived intangible assets:						
<i>Tim Hortons</i> brand	\$ 6,425	\$ —	\$ 6,425	\$ 6,259	\$ —	\$ 6,259
<i>Burger King</i> brand	2,099	—	2,099	2,131	—	2,131
<i>Popeyes</i> brand	1,355	—	1,355	1,355	—	1,355
Subtotal	9,879	—	9,879	9,745	—	9,745
Intangible assets, net			<u>\$ 10,439</u>			<u>\$ 10,463</u>
Goodwill						
Tim Hortons segment	\$ 4,140			\$ 4,038		
Burger King segment	593			602		
Popeyes segment	846			846		
Total	<u>\$ 5,579</u>			<u>\$ 5,486</u>		

(a) The decrease in favorable leases reflects the reclassification of favorable leases where we are the lessee to operating lease right-of-use assets in connection with our transition to ASC 842. See Note 4, *Leases*.

Amortization expense on intangible assets totaled \$12 million for the three months ended September 30, 2019 and \$17 million for the same period in the prior year. Amortization expense on intangible assets totaled \$33 million for the nine months ended September 30, 2019 and \$53 million for the same period in the prior year. The change in the brands and goodwill balances during the nine months ended September 30, 2019 was due to the impact of foreign currency translation.

[Table of Contents](#)

Note 8. Equity Method Investments

The aggregate carrying amount of our equity method investments was \$274 million and \$259 million as of September 30, 2019 and December 31, 2018, respectively, and is included as a component of Other assets, net in our accompanying condensed consolidated balance sheets. 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 \$3 million during the three months ended September 30, 2019 and 2018. Distributions received from this joint venture were \$10 million and \$9 million during the nine months ended September 30, 2019 and 2018, respectively.

The aggregate market value of our 15.4% equity interest in Carrols Restaurant Group, Inc. ("Carrols") based on the quoted market price on September 30, 2019 was approximately \$78 million. The aggregate market value of our 9.9% equity interest in BK Brasil Operação e Assessoria a Restaurantes S.A. based on the quoted market price on September 30, 2019 was approximately \$111 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues from affiliates:				
Royalties	\$ 89	\$ 76	\$ 254	\$ 218
Property revenues	8	8	25	26
Franchise fees and other revenue	1	3	7	7
Total	<u>\$ 98</u>	<u>\$ 87</u>	<u>\$ 286</u>	<u>\$ 251</u>

We recognized \$5 million of rent expense associated with the TIMWEN Partnership during the three months ended September 30, 2019 and 2018. We recognized \$14 million and \$15 million of rent expense associated with the TIMWEN Partnership during the nine months ended September 30, 2019 and 2018, respectively.

At September 30, 2019 and December 31, 2018, we had \$34 million and \$41 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 three and nine months ended September 30, 2019, we recorded an increase to the carrying value of our equity method investment balance and a non-cash dilution gain of \$11 million related to the merger of one of our equity method investments. During the nine months ended September 30, 2018, we recorded an increase to the carrying value of our equity method investment balance and a non-cash dilution gain of \$20 million on the initial public offering by one of our equity method investees.

[Table of Contents](#)

Note 9. Other Accrued Liabilities and Other Liabilities, net

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

	As of	
	September 30, 2019	December 31, 2018
Current:		
Dividend payable	\$ 232	\$ 207
Interest payable	91	87
Accrued compensation and benefits	52	69
Taxes payable	153	113
Deferred income	35	27
Accrued advertising expenses	27	30
Restructuring and other provisions	6	11
Current portion of operating lease liabilities (a)	122	—
Other	79	93
Other accrued liabilities	<u>\$ 797</u>	<u>\$ 637</u>
Noncurrent:		
Taxes payable	\$ 585	\$ 493
Contract liabilities	507	486
Unfavorable leases (b)	107	192
Derivatives liabilities	267	179
Accrued pension	62	64
Accrued lease straight-lining liability (b)	—	69
Deferred income	26	22
Other	44	42
Other liabilities, net	<u>\$ 1,598</u>	<u>\$ 1,547</u>

(a) Represents the current portion of operating lease liabilities recognized in connection with our transition to ASC 842. See Note 4, *Leases*.

(b) The decreases in unfavorable leases and accrued lease straight-lining liability reflect the reclassification of unfavorable leases and lease straight-lining liability where we are the lessee in the underlying operating lease to the right-of-use assets recorded for the underlying lease in connection with our transition to ASC 842. See Note 4, *Leases*.

Table of Contents

Note 10. Long-Term Debt

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

	As of	
	September 30, 2019	December 31, 2018
Term Loan B (due February 17, 2024)	\$ 6,070	\$ 6,338
2015 4.625% Senior Notes (due January 15, 2022)	1,250	1,250
2017 4.25% Senior Notes (due May 15, 2024)	1,500	1,500
2019 3.875% Senior Notes (due January 15, 2028)	750	—
2017 5.00% Senior Notes (due October 15, 2025)	2,800	2,800
Other (a)	79	150
Less: unamortized deferred financing costs and deferred issue discount	(132)	(145)
Total debt, net	12,317	11,893
Less: current maturities of debt (b)	(749)	(70)
Total long-term debt	\$ 11,568	\$ 11,823

- (a) The decrease in Other reflects the de-recognition of obligations associated with build-to-suit leases recorded under the Previous Standard. Liabilities associated with build-to-suit leases were remeasured and recorded as finance lease liabilities in conjunction with our transition to ASC 842.
- (b) As of September 30, 2019, current maturities of debt includes \$750 million of the total outstanding principal balance of the 2015 4.625% Senior Notes (defined below), net of related unamortized deferred financing costs, which is equal to the proceeds received from the issuance of the 2019 3.875% Senior Notes (defined below) that were used to redeem the 2015 4.625% Senior Notes on October 7, 2019.

Credit Facilities

On September 6, 2019, two of our subsidiaries (the "Borrowers") entered into a fourth incremental facility amendment (the "Fourth Incremental Amendment") to the credit agreement governing our senior secured term loan facilities (the "Term Loan Facilities") and our senior secured revolving credit facility (including revolving loans, swingline loans and letters of credit) (the "Revolving Credit Facility" and together with the Term Loan Facilities, the "Credit Facilities"). Under the Fourth Incremental Amendment, (i) we obtained a new term loan in the aggregate principal amount of \$750 million (the "Term Loan A"), that was funded on October 7, 2019, with a maturity date of October 7, 2024 (subject to earlier maturity in specified circumstances), (ii) the interest rate applicable to the Term Loan A and Revolving Credit Facility is, at our option, either (a) a base rate, subject to a floor of 1.00%, plus an applicable margin varying from 0.00% to 0.50%, or (b) a Eurocurrency rate, subject to a floor of 0.00%, plus an applicable margin varying between 0.75% and 1.50%, in each case, determined by reference to a net first lien leverage based pricing grid, (iii) the aggregate principal amount of the commitments under our Revolving Credit Facility was increased to \$1,000 million effective October 7, 2019, (iv) the maturity date of the Revolving Credit Facility was extended from October 13, 2022 to October 7, 2024 (subject to earlier maturity in specified circumstances), and (v) the commitment fee on the unused portion of the Revolving Credit Facility was decreased from 0.25% to 0.15%. The principal amount of the Term Loan A amortizes in quarterly installments equal to \$5 million until October 7, 2022 and thereafter in quarterly installments equal to \$9 million until maturity, with the balance payable at maturity. The Term Loan A will require compliance with the first lien leverage ratio. Except as described herein, the Fourth Incremental Amendment did not materially change the terms of the Credit Facilities.

Prior to obtaining the Term Loan A, our Credit Facilities included only one senior secured term loan facility (the "Term Loan B" and together with the Term Loan A, the "Term Loan Facilities"). During the quarter ended September 30, 2019, we prepaid \$235 million principal amount of our Term Loan B and, in connection with this prepayment, we recorded a loss on early extinguishment of debt of \$4 million that primarily reflects the write-off of related unamortized debt issuance costs and discounts.

As of September 30, 2019, we had no amounts outstanding under our Revolving Credit Facility. Funds available under the Revolving Credit Facility may be used to repay other debt, finance debt or share repurchases, fund acquisitions or capital expenditures and for other general corporate purposes. We have a \$125 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. Under the Fourth Incremental Amendment, the interest rate applicable to amounts drawn under each letter of credit decreased from a range of 1.25% to 2.00% to a range of 0.75% to 1.50%, depending on our first lien leverage ratio. As of September 30,

Table of Contents

2019, we had \$2 million of letters of credit issued against the Revolving Credit Facility, and our borrowing availability was \$498 million. As of October 7, 2019, our borrowing availability was \$998 million under our Revolving Credit Facility.

2019 Senior Notes

On September 24, 2019, the Borrowers entered into an indenture (the "2019 3.875% Senior Notes Indenture") in connection with the issuance of \$750 million of 3.875% first lien senior notes due January 15, 2028 (the "2019 3.875% Senior Notes"). No principal payments are due until maturity and interest is paid semi-annually. On October 7, 2019, the net proceeds from the offering of the 2019 3.875% Senior Notes and a portion of the net proceeds from the Term Loan A were used to redeem the entire outstanding principal balance of \$1,250 million of 4.625% first lien secured notes due January 15, 2022 (the "2015 4.625% Senior Notes") and to pay related fees and expenses. In connection with the issuance of the 2019 3.875% Senior Notes, we capitalized approximately \$10 million in debt issuance costs.

Obligations under the 2019 3.875% Senior Notes are guaranteed on a senior secured basis, jointly and severally, by the Borrowers and substantially all of the Borrowers' Canadian and U.S. subsidiaries, including The TDL Group Corp., Burger King Worldwide, Inc., Popeyes Louisiana Kitchen, Inc. and substantially all of their respective Canadian and U.S. subsidiaries (the "Note Guarantors"). The 2019 3.875% Senior Notes are first lien senior secured obligations and rank equal in right of payment with all of the existing and future first lien senior debt of the Borrowers and Note Guarantors, including borrowings and guarantees of the Credit Facilities.

Our 2019 3.875% Senior Notes may be redeemed in whole or in part, on or after September 15, 2022 at the redemption prices set forth in the 2019 3.875% Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 2019 3.875% Senior Notes Indenture also contains optional redemption provisions related to tender offers, change of control and equity offerings, among others.

TH Facility

One of our subsidiaries entered into a non-revolving delayed drawdown term credit facility in a total aggregate principal amount of C\$225 million (increased from C\$100 million during the three months ended June 30, 2019) with a maturity date of October 4, 2025 (the "TH Facility"). The interest rate applicable to the TH Facility is the Canadian Bankers' Acceptance rate plus an applicable margin equal to 1.40% or the Prime Rate plus an applicable margin equal to 0.40%, at our option. Obligations under the TH Facility are guaranteed by three of our subsidiaries, and amounts borrowed under the TH Facility are secured by certain parcels of real estate. As of September 30, 2019, we had outstanding C\$100 million under the TH Facility with a weighted average interest rate of 3.36%.

Fair Value Measurement

The following table presents the fair value of our variable rate term debt and senior notes, estimated using inputs based on bid and offer prices that are Level 2 inputs, and principal carrying amount (in millions):

	As of	
	September 30, 2019	December 31, 2018
Fair value of our variable term debt and senior notes	\$ 12,557	\$ 11,237
Principal carrying amount of our variable term debt and senior notes	12,370	11,888

Interest Expense, net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Debt (a)	\$ 130	\$ 125	\$ 382	\$ 375
Finance lease obligations	5	6	16	18
Amortization of deferred financing costs and debt issuance discount	7	8	22	22
Interest income	(5)	(4)	(14)	(10)
Interest expense, net	\$ 137	\$ 135	\$ 406	\$ 405

- (a) Amount includes \$16 million and \$15 million benefit during the three months ended September 30, 2019 and 2018, respectively, and \$53 million and \$39 million benefit during the nine months ended September 30, 2019 and 2018, respectively, related to the amortization of the Excluded Component as defined in Note 13, *Derivatives*.

Note 11. Income Taxes

Our effective tax rate was 18.3% and 21.4% for the three and nine months ended September 30, 2019. The effective tax rate during these periods reflects the mix of income from multiple tax jurisdictions, the impact of internal financing arrangements and stock option exercises. Additionally, the effective tax rate during the nine months ended September 30, 2019 reflects a \$37 million increase in the provision for unrecognized tax benefits related to a prior restructuring transaction that is not applicable to ongoing operations which increased the effective tax rate by 3.4% during this period. Benefits from stock option exercises reduced the effective tax rate by 1.2% and 2.9% for the three and nine months ended September 30, 2019, respectively.

Our effective tax rate was 27.0% for the three months ended September 30, 2018. This rate was primarily a result of the mix of income from multiple tax jurisdictions, the year to date impact from the realignment of various internal financing arrangements and the increase in valuation allowance on deferred tax assets. Our effective tax rate was 15.4% for the nine months ended September 30, 2018. This rate was primarily a result of the mix of income from multiple tax jurisdictions, the benefit from reserve releases due to audit settlements during the first half of 2018, and the realignment of various internal financing arrangements. In addition, benefits from stock option exercises reduced the effective tax rate by 0.9% and 6.9% for the three and nine months ended September 30, 2018, respectively.

Note 12. Shareholders' Equity

Noncontrolling Interests

The holders of Partnership exchangeable units held an economic interest of approximately 35.7% and 45.2% in Partnership common equity through the ownership of 165,529,822 and 207,523,591 Partnership exchangeable units as of September 30, 2019 and December 31, 2018, respectively.

During the nine months ended September 30, 2019, Partnership exchanged 41,993,769 Partnership exchangeable units, pursuant to exchange notices received. In accordance with the terms of the partnership agreement, Partnership satisfied the exchange notices by exchanging these Partnership exchangeable units for the same number of newly issued RBI common shares. The exchanges represented increases in our ownership interest in Partnership and were accounted for as equity transactions, with no gain or loss recorded in the accompanying condensed consolidated statement of operations. Pursuant to the terms of the partnership agreement, upon the exchange of Partnership exchangeable units, each such Partnership exchangeable unit was cancelled concurrently with the exchange.

Accumulated Other Comprehensive Income (Loss)

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

	Derivatives	Pensions	Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2018	\$ 253	\$ (15)	\$ (1,038)	\$ (800)
Foreign currency translation adjustment	—	—	185	185
Net change in fair value of derivatives, net of tax	(89)	—	—	(89)
Amounts reclassified to earnings of cash flow hedges, net of tax	7	—	—	7
Amounts attributable to noncontrolling interests	70	(3)	(234)	(167)
Balance at September 30, 2019	<u>\$ 241</u>	<u>\$ (18)</u>	<u>\$ (1,087)</u>	<u>\$ (864)</u>

Note 13. Derivative Instruments

Disclosures about Derivative Instruments and Hedging Activities

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

Interest Rate Swaps

At September 30, 2019, we had outstanding a series of receive-variable, pay-fixed interest rate swaps with a total notional value of \$3,500 million to hedge the variability in the interest payments on a portion of our Term Loan Facilities beginning March 29, 2018 through the expiration of the final swap on February 17, 2024, with each swap resetting each March. Additionally, at September 30, 2019, we also had outstanding receive-variable, pay-fixed interest rate swaps with a total notional value of \$500 million to hedge the variability in the interest payments on a portion of our Term Loan Facilities effective September 30, 2019 through the termination date of September 30, 2026. At inception, all of 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 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 \$85 million in AOCI at the date of settlement. This amount gets reclassified into Interest expense, net as the original hedged forecasted transaction affects earnings. The amount of pre-tax losses in AOCI as of September 30, 2019 that we expect to be reclassified into interest expense within the next 12 months is \$12 million.

Cross-Currency Rate Swaps

To protect the value of our investments in our foreign operations against adverse changes in foreign currency exchange rates, we hedge a portion of our net investment in one or more of our foreign subsidiaries by using cross-currency rate swaps. At September 30, 2019, 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 partly offset by movements in the fair value of our cross-currency swap contracts. The fair value of the swaps is calculated each period with changes in fair value reported in AOCI, net of tax. Such amounts will remain in AOCI until the complete or substantially complete liquidation of our investment in the underlying foreign operations.

At September 30, 2019, we had outstanding 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\$6,754 million for quarterly fixed-rate interest payments we receive on the U.S. dollar notional amount of \$5,000 million through the maturity date of June 30, 2023.

At September 30, 2019, we had outstanding cross-currency rate swaps in which we pay quarterly fixed-rate interest payments on the Euro notional value of €1,108 million and receive quarterly fixed-rate interest payments on the U.S. dollar notional value of \$1,200 million. At inception, these cross-currency rate swaps were designated as a hedge and are accounted for as a net investment hedge. During 2018, we extended the term of the swaps from March 31, 2021 to the maturity date of February 17, 2024. The extension of the term resulted in a re-designation of the hedge and the swaps continue to be accounted for as a net investment hedge. Additionally, at September 30, 2019, we also had outstanding cross-currency rate swaps in which we receive quarterly fixed-rate interest payments on the U.S. dollar notional value of \$400 million, entered during 2018, and \$500 million, entered during 2019, through the maturity date of February 17, 2024. At inception, these cross-currency rate swaps were designated as a hedge and are accounted for as a net investment hedge.

Table of Contents

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. Additionally, as a result of adopting new hedge accounting guidance during 2018, we elected to exclude the interest component (the “Excluded Component”) from the accounting hedge without affecting net investment hedge accounting and 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.

Foreign Currency Exchange Contracts

We use foreign exchange derivative instruments to manage the impact of foreign exchange fluctuations on U.S. dollar purchases and payments, such as coffee purchases made by our Canadian Tim Hortons operations. At September 30, 2019, 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 \$132 million with maturities to November 2020. 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.

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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Derivatives designated as cash flow hedges⁽¹⁾				
Interest rate swaps	\$ (35)	\$ 22	\$ (156)	\$ 46
Forward-currency contracts	\$ 1	\$ (5)	\$ (3)	\$ 8
Derivatives designated as net investment hedges				
Cross-currency rate swaps	\$ 180	\$ (83)	\$ 25	\$ 71

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

[Table of Contents](#)

	Location of Gain or (Loss) Reclassified from AOCI into Earnings	Gain or (Loss) Reclassified from AOCI into Earnings			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2019	2018	2019	2018
Derivatives designated as cash flow hedges					
Interest rate swaps	Interest expense, net	\$ (7)	\$ (5)	\$ (14)	\$ (16)
Forward-currency contracts	Cost of sales	\$ —	\$ (2)	\$ 4	\$ 1

	Location of Gain or (Loss) Recognized in Earnings	Gain or (Loss) Recognized in Earnings (Amount Excluded from Effectiveness Testing)			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2019	2018	2019	2018
Derivatives designated as net investment hedges					
Cross-currency rate swaps	Interest expense, net	\$ 16	\$ 15	\$ 53	\$ 39

	Fair Value as of		Balance Sheet Location
	September 30, 2019	December 31, 2018	
Assets:			
Derivatives designated as cash flow hedges			
Foreign currency	\$ 1	\$ 7	Prepays and other current assets
Derivatives designated as net investment hedges			
Foreign currency	39	58	Other assets, net
Total assets at fair value	<u>\$ 40</u>	<u>\$ 65</u>	
Liabilities:			
Derivatives designated as cash flow hedges			
Interest rate	\$ 223	\$ 72	Other liabilities, net
Derivatives designated as net investment hedges			
Foreign currency	44	107	Other liabilities, net
Total liabilities at fair value	<u>\$ 267</u>	<u>\$ 179</u>	

Note 14. Other Operating Expenses (Income), net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net losses (gains) on disposal of assets, restaurant closures, and franchisings	\$ 6	\$ 7	\$ (1)	\$ 17
Litigation settlements (gains) and reserves, net	1	5	1	(1)
Net losses (gains) on foreign exchange	(35)	(3)	(38)	(19)
Other, net	(2)	17	(6)	12
Other operating expenses (income), net	<u>\$ (30)</u>	<u>\$ 26</u>	<u>\$ (44)</u>	<u>\$ 9</u>

Net losses (gains) on disposal of assets, restaurant closures, and franchisings represent sales of properties and other costs related to restaurant closures and franchisings.

Table of Contents

Litigation settlements (gains) and reserves, net primarily reflects accruals and proceeds received in connection with litigation matters.

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

Other, net during the three and nine months ended September 30, 2018 is comprised primarily of an expense in connection with the settlement of certain provisions associated with the 2017 redemption of our preferred shares as a result of changes in Treasury regulations.

Note 15. 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 October 5, 2018, a class action complaint was filed against Burger King Worldwide, Inc. (“BKW”) and Burger King Corporation (“BKC”) in the U.S. District Court for the Southern District of Florida by Jarvis Arrington, individually and on behalf of all others similarly situated. On October 18, 2018, a second class action complaint was filed against the Company, BKW and BKC in the U.S. District Court for the Southern District of Florida by Monique Michel, individually and on behalf of all others similarly situated. On October 31, 2018, a third class action complaint was filed against BKC and BKW in the U.S. District Court for the Southern District of Florida by Geneva Blanchard and Tiffany Miller, individually and on behalf of all others similarly situated. On November 2, 2018, a fourth class action complaint was filed against the Company, BKW and BKC in the U.S. District Court for the Southern District of Florida by Sandra Muster, individually and on behalf of all others similarly situated. These complaints allege that the defendants violated Section 1 of the Sherman Act by incorporating an employee no-solicitation and no-hiring clause in the standard form franchise agreement all Burger King franchisees are required to sign. Each plaintiff seeks injunctive relief and damages for himself or herself and other members of the class.

In July 2019, a class action complaint was filed against TDL in the Supreme Court of British Columbia by Samir Latifi, individually and on behalf of all others similarly situated. The complaint alleges that TDL violated the Canadian Competition Act by incorporating an employee no-solicitation and no-hiring clause in the standard form franchise agreement all Tim Hortons franchisees are required to sign. The plaintiff seeks damages and restitution, on behalf of himself and other members of the class.

While we currently believe these claims are without merit, we are unable to predict the ultimate outcome of these cases or estimate the range of possible loss, if any.

In March 2019, the Company settled the two class action lawsuits filed in the Ontario Superior Court of Justice against The TDL Group Corp., a subsidiary of the Company (“TDL”), and certain other defendants, as described in the Company’s Annual Report on Form 10-K filed with the SEC on February 22, 2019. The court approved the settlement on April 29, 2019. Under the terms of the settlement, TDL is contributing C\$6 million to the Tim Hortons Advertising Fund in Canada over two years, such amount to be spent on marketing activities. In addition, TDL has paid C\$6 million for legal, administrative and other third-party expenses. These amounts were accrued by TDL during 2018.

Note 16. 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 restaurants owned by us ("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. We manage each of our brands as an operating segment and each operating segment represents a reportable segment.

The following tables present revenues, by segment and by country (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues by operating segment:				
TH	\$ 881	\$ 854	\$ 2,472	\$ 2,440
BK	457	416	1,315	1,224
PLK	120	105	337	308
Total revenues	\$ 1,458	\$ 1,375	\$ 4,124	\$ 3,972

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues by country (a):				
Canada	\$ 805	\$ 776	\$ 2,245	\$ 2,214
United States	489	448	1,412	1,319
Other	164	151	467	439
Total revenues	\$ 1,458	\$ 1,375	\$ 4,124	\$ 3,972

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

Table of Contents

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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Segment income:				
TH	\$ 301	\$ 299	\$ 825	\$ 830
BK	254	231	728	681
PLK	47	41	129	120
Adjusted EBITDA	602	571	1,682	1,631
Share-based compensation and non-cash incentive compensation expense	18	13	62	44
PLK Transaction costs	—	—	—	10
Corporate restructuring and tax advisory fees	5	5	22	19
Office centralization and relocation costs	—	4	6	16
Impact of equity method investments (a)	(9)	—	1	(6)
Other operating expenses (income), net	(30)	26	(44)	9
EBITDA	618	523	1,635	1,539
Depreciation and amortization	47	45	139	138
Income from operations	571	478	1,496	1,401
Interest expense, net	137	135	406	405
Loss on early extinguishment of debt	4	—	4	—
Income tax expense	79	93	232	153
Net income	\$ 351	\$ 250	\$ 854	\$ 843

- (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 17. Subsequent Events

Dividends

On October 3, 2019, we paid a cash dividend of \$0.50 per common share to common shareholders of record on September 17, 2019. On such date, Partnership also made a distribution in respect of each Partnership exchangeable unit in the amount of \$0.50 per exchangeable unit to holders of record on September 17, 2019.

Our board of directors has declared a cash dividend of \$0.50 per common share, which will be paid on January 3, 2020 to common shareholders of record on December 17, 2019. Partnership will also make a distribution in respect of each Partnership exchangeable unit in the amount of \$0.50 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.

Term Loan A Proceeds and Redemption of Senior Notes

As disclosed in Note 10, *Long-Term Debt*, the net proceeds from the Term Loan A were obtained on October 7, 2019. The net proceeds from the offering of the 2019 3.875% Senior Notes and a portion of the net proceeds from the Term Loan A were used to redeem the entire outstanding principal balance of the 2015 4.625% Senior Notes on October 7, 2019 and to pay related fees and expenses. Additionally, the aggregate principal amount of the commitments under our Revolving Credit Facility was increased to \$1,000 million effective October 7, 2019.

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 one of the world's largest quick service restaurant ("QSR") companies with more than \$33 billion in system-wide sales and over 26,000 restaurants in more than 100 countries and U.S. territories as of September 30, 2019. 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 fried 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 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.

Table of Contents

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 (referred to as system-wide sales) 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 Lease Accounting Standard

We transitioned to Accounting Standards Codification Topic 842, *Leases* (“ASC 842”), effective January 1, 2019 on a modified retrospective basis using the effective date transition method. Our consolidated financial statements reflect the application of ASC 842 guidance beginning in 2019, while our consolidated financial statements for prior periods were prepared under the guidance of a previously applicable accounting standard.

The most significant effects of this transition that affect comparability of our results of operations between 2019 and 2018 include the following:

- Beginning on January 1, 2019, we record lease income and lease cost on a gross basis for lessee reimbursements of costs such as property taxes and maintenance when we are the lessor in the lease. Although there was no net impact to our consolidated statement of operations from this change, the presentation resulted in total increases to both franchise and property revenues and franchise and property expenses of \$32 million (\$22 million related to our TH segment and \$10 million related to our BK segment) during the three months ended September 30, 2019 and \$99 million (\$65 million related to our TH segment, \$33 million related to our BK segment and \$1 million related to our PLK segment) during the nine months ended September 30, 2019, compared to the three and nine months ended September 30, 2018, respectively, when such amounts were recorded on a net basis.
- As described in Note 4, *Leases*, to the accompanying unaudited condensed consolidated financial statements, the transition provisions of ASC 842 required the reclassification of favorable lease assets and unfavorable lease liabilities where we are the lessee in the underlying lease to the right-of-use (“ROU”) asset recorded for the underlying lease. As a result of this reclassification, the amortization period for certain favorable lease assets and unfavorable lease liabilities was reduced, resulting in \$1 million and \$5 million net increases in non-cash amortization expense during the three and nine months ended September 30, 2019, respectively, compared to the three and nine months ended September 30, 2018, respectively. Favorable lease assets and unfavorable lease liabilities associated with leases where we are the lessor were not impacted by our transition to ASC 842.

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

[Table of Contents](#)

PLK Transaction Costs

On March 27, 2017, we completed the acquisition of Popeyes Louisiana Kitchen, Inc. (the "Popeyes Acquisition"). In connection with the Popeyes Acquisition, we incurred certain non-recurring fees and expenses ("PLK Transaction costs") totaling \$10 million during the nine months ended September 30, 2018 consisting primarily of professional fees and compensation related expenses, all of which are classified as selling, general and administrative expenses in our condensed consolidated statements of operations. We did not incur any PLK Transaction costs during the three and nine months ended September 30, 2019.

Tax Reform

In December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") that significantly revised the U.S. tax code generally effective January 1, 2018 by, among other changes, lowering the federal 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 2018 and the current period, and is expected to continue to impact our consolidated results of operations in future periods.

We recorded \$5 million of costs during each of the three months ended September 30, 2019 and 2018 and \$22 million and \$19 million of costs during the nine months ended September 30, 2019 and 2018, respectively, which are classified as selling, general and administrative expenses in our condensed consolidated statements of operations, 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"). We expect to continue to incur and separately disclose Corporate restructuring and tax advisory fees related to the Tax Act in 2019.

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 \$4 million during the three months ended September 30, 2018 and \$6 million and \$16 million during the nine months ended September 30, 2019 and 2018, respectively, consisting primarily of moving costs and relocation-driven compensation expenses, which are classified as selling, general and administrative expenses in our condensed consolidated statements of operations. We did not incur any Office centralization and relocation costs during the three months ended September 30, 2019 and do not expect to separately disclose additional Office centralization and relocation costs.

[Table of Contents](#)

Results of Operations for the Three and Nine Months Ended September 30, 2019 and 2018

Tabular amounts in millions of U.S. dollars unless noted otherwise. Segment income may not calculate exactly due to rounding.

<i>Consolidated</i>	Three Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact	Nine Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact
	2019	2018				2019	2018			
	Favorable / (Unfavorable)			Favorable / (Unfavorable)						
Revenues:										
Sales	\$ 624	\$ 609	\$ 15	\$ (5)	\$ 20	\$ 1,735	\$ 1,743	\$ (8)	\$ (44)	\$ 36
Franchise and property revenues	834	766	68	(8)	76	2,389	2,229	160	(49)	209
Total revenues	1,458	1,375	83	(13)	96	4,124	3,972	152	(93)	245
Operating costs and expenses:										
Cost of sales	475	470	(5)	4	(9)	1,334	1,348	14	34	(20)
Franchise and property expenses	133	107	(26)	1	(27)	401	314	(87)	7	(94)
Selling, general and administrative expenses	320	298	(22)	2	(24)	948	917	(31)	11	(42)
(Income) loss from equity method investments	(11)	(4)	7	—	7	(11)	(17)	(6)	(3)	(3)
Other operating expenses (income), net	(30)	26	56	—	56	(44)	9	53	(2)	55
Total operating costs and expenses	887	897	10	7	3	2,628	2,571	(57)	47	(104)
Income from operations	571	478	93	(6)	99	1,496	1,401	95	(46)	141
Interest expense, net	137	135	(2)	—	(2)	406	405	(1)	—	(1)
Loss on early extinguishment of debt	4	—	(4)	—	(4)	4	—	(4)	—	(4)
Income before income taxes	430	343	87	(6)	93	1,086	996	90	(46)	136
Income tax expense	79	93	14	9	5	232	153	(79)	11	(90)
Net income	\$ 351	\$ 250	\$ 101	\$ 3	\$ 98	\$ 854	\$ 843	\$ 11	\$ (35)	\$ 46

(a) 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.

<i>TH Segment</i>	Three Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact	Nine Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact
	2019	2018				2019	2018			
	Favorable / (Unfavorable)			Favorable / (Unfavorable)						
Revenues:										
Sales	\$ 584	\$ 571	\$ 13	\$ (5)	\$ 18	\$ 1,618	\$ 1,627	\$ (9)	\$ (44)	\$ 35
Franchise and property revenues	297	283	14	(3)	17	854	813	41	(22)	63
Total revenues	881	854	27	(8)	35	2,472	2,440	32	(66)	98
Cost of sales	441	437	(4)	4	(8)	1,233	1,250	17	34	(17)
Franchise and property expenses	91	72	(19)	1	(20)	268	210	(58)	6	(64)
Segment SG&A	77	76	(1)	—	(1)	236	238	2	6	(4)
Segment depreciation and amortization (b)	28	26	(2)	—	(2)	80	78	(2)	2	(4)
Segment income (c)	301	299	2	(2)	4	825	830	(5)	(22)	17

(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 million and \$4 million of cash distributions received from equity method investments for the three months ended September 30, 2019 and 2018, respectively. TH segment income includes \$11 million and \$10 million of cash distributions received from equity method investments for the nine months ended September 30, 2019 and 2018, respectively.

Table of Contents

<i>BK Segment</i>	Three Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact	Nine Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact
	2019	2018				2019	2018			
	Favorable / (Unfavorable)			Favorable / (Unfavorable)						
Revenues:										
Sales	\$ 19	\$ 18	\$ 1	\$ —	\$ 1	\$ 57	\$ 56	\$ 1	\$ —	\$ 1
Franchise and property revenues	438	398	40	(5)	45	1,258	1,168	90	(26)	116
Total revenues	457	416	41	(5)	46	1,315	1,224	91	(26)	117
Cost of sales	18	17	(1)	—	(1)	53	50	(3)	—	(3)
Franchise and property expenses	39	33	(6)	—	(6)	124	97	(27)	1	(28)
Segment SG&A	159	147	(12)	—	(12)	449	433	(16)	2	(18)
Segment depreciation and amortization (b)	12	12	—	—	—	37	36	(1)	—	(1)
Segment income (d)	254	231	23	(4)	27	728	681	47	(23)	70

(d) No cash distributions were received from equity method investments for the three months ended September 30, 2019 and 2018. BK segment income includes \$2 million and \$1 million of cash distributions received from equity method investments for the nine months ended September 30, 2019 and 2018, respectively.

<i>PLK Segment</i>	Three Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact	Nine Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact
	2019	2018				2019	2018			
	Favorable / (Unfavorable)			Favorable / (Unfavorable)						
Revenues:										
Sales	\$ 21	\$ 20	\$ 1	\$ —	\$ 1	\$ 60	\$ 60	\$ —	\$ —	\$ —
Franchise and property revenues	99	85	14	—	14	277	248	29	(1)	30
Total revenues	120	105	15	—	15	337	308	29	(1)	30
Cost of sales	16	16	—	—	—	48	48	—	—	—
Franchise and property expenses	3	2	(1)	—	(1)	9	7	(2)	—	(2)
Segment SG&A	56	48	(8)	—	(8)	159	141	(18)	—	(18)
Segment depreciation and amortization (b)	2	3	1	—	1	8	8	—	—	—
Segment income	47	41	6	—	6	129	120	9	(1)	10

<i>Key Business Metrics</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
System-wide sales growth				
TH	(0.1)%	2.8%	0.6 %	2.4%
BK	10.7 %	7.8%	9.6 %	9.1%
PLK	15.6 %	7.9%	10.5 %	9.8%
Consolidated	8.9 %	6.7%	7.8 %	7.7%
System-wide sales				
TH	\$ 1,774	\$ 1,793	\$ 5,037	\$ 5,143
BK	\$ 6,010	\$ 5,544	\$ 17,016	\$ 16,096
PLK	\$ 1,103	\$ 956	\$ 3,070	\$ 2,797
Consolidated	\$ 8,887	\$ 8,293	\$ 25,123	\$ 24,036
Comparable sales				
TH	(1.4)%	0.6%	(0.5)%	0.1%
BK	4.8 %	1.0%	3.6 %	2.1%
PLK	9.7 %	0.5%	4.5 %	2.1%
As of September 30,				
2019				
2018				
Net restaurant growth				
TH			1.7 %	2.7%
BK			5.8 %	6.1%
PLK			5.6 %	7.6%
Consolidated			5.0 %	5.6%
Restaurant count				
TH			4,887	4,805
BK			18,232	17,239
PLK			3,192	3,022
Consolidated			26,311	25,066

Comparable Sales

TH comparable sales were (1.4)% during the three months ended September 30, 2019, including Canada comparable sales of (1.2)% . TH comparable sales were (0.5)% during the nine months ended September 30, 2019, including Canada comparable sales of (0.3)% .

BK comparable sales were 4.8% during the three months ended September 30, 2019, including U.S. comparable sales of 5.0% . BK comparable sales were 3.6% during the nine months ended September 30, 2019, including U.S. comparable sales of 2.0% .

PLK comparable sales were 9.7% during the three months ended September 30, 2019, including U.S. comparable sales of 10.2% . PLK comparable sales were 4.5% during the nine months ended September 30, 2019, including U.S. comparable sales of 4.6% .

Table of Contents

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. Sales from Company restaurants, including sales by our consolidated TH Restaurant VIEs, represent restaurant-level sales to our guests.

Cost of sales includes costs associated with the management of our 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.

During the three months ended September 30, 2019, the increase in sales was driven primarily by an increase of \$18 million in our TH segment, partially offset by an unfavorable FX Impact of \$5 million. The increase in our TH segment was driven by a \$12 million increase in supply chain sales and a \$6 million increase in Company restaurant revenue.

During the nine months ended September 30, 2019, the decrease in sales was driven by an unfavorable FX Impact of \$44 million, partially offset by an increase of \$35 million in our TH segment driven primarily by an increase in supply chain sales.

During the three months ended September 30, 2019, the increase in cost of sales was driven primarily by an increase of \$8 million in our TH segment, partially offset by a \$4 million favorable FX Impact. The increase in our TH segment was driven primarily by an increase of \$6 million in Company restaurant cost of sales and an increase in supply chain cost of sales.

During the nine months ended September 30, 2019, the decrease in cost of sales was driven primarily by a \$34 million favorable FX Impact, partially offset by an increase of \$17 million in our TH segment and an increase of \$3 million in our BK segment. The increase in our TH segment was driven primarily by an increase in supply chain cost of sales due to the increase in supply chain sales.

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).

During the three months ended September 30, 2019, the increase in franchise and property revenues was driven by an increase of \$45 million in our BK segment, an increase of \$17 million in our TH segment, and an increase of \$14 million in our PLK segment, partially offset by an \$8 million unfavorable FX Impact. The increases in our BK and PLK segments were primarily driven by increases in royalties as a result of system-wide sales growth.

During the nine months ended September 30, 2019, the increase in franchise and property revenues was driven by an increase of \$116 million in our BK segment, an increase of \$63 million in our TH segment, and an increase of \$30 million in our PLK segment, partially offset by a \$49 million unfavorable FX Impact. The increases in our BK and PLK segments were primarily driven by increases in royalties as a result of system-wide sales growth.

Additionally, the increase in franchise and property revenues in all of our segments during the three and nine months ended September 30, 2019 reflected the gross recognition of property income from lessee reimbursements of costs such as property taxes and maintenance when we are the lessor in the lease as a result of the application of ASC 842 beginning January 1, 2019.

During the three months ended September 30, 2019, the increase in franchise and property expenses was driven by an increase of \$20 million in our TH segment and an increase of \$6 million in our BK segment. During the nine months ended September 30, 2019, the increase in franchise and property expenses was driven by an increase of \$64 million in our TH segment, an increase of \$28 million in our BK segment, and an increase of \$2 million in our PLK segment, partially offset by a \$7 million favorable FX Impact. The increase in all of our segments during the three and nine months ended September 30, 2019 was driven by the gross recognition of property expense for costs such as property taxes and maintenance paid by us and reimbursed by lessees when we are the lessor in the lease as a result of the application of ASC 842 beginning January 1, 2019.

Table of Contents

Selling, General and Administrative Expenses

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

	Three Months Ended		Variance		Nine Months Ended		Variance		
	September 30,		\$	%	September 30,		\$	%	
	2019	2018	Favorable / (Unfavorable)		2019	2018	Favorable / (Unfavorable)		
Segment SG&A:									
TH	\$ 77	\$ 76	\$ (1)	(1.3)%	\$ 236	\$ 238	\$ 2	0.8 %	
BK	159	147	(12)	(8.2)%	449	433	(16)	(3.7)%	
PLK	56	48	(8)	(16.7)%	159	141	(18)	(12.8)%	
Share-based compensation and non-cash incentive compensation expense	18	13	(5)	(38.5)%	62	44	(18)	(40.9)%	
Depreciation and amortization	5	5	—	— %	14	16	2	12.5 %	
PLK Transaction costs	—	—	—	— %	—	10	10	NM	
Corporate restructuring and tax advisory fees	5	5	—	— %	22	19	(3)	(15.8)%	
Office centralization and relocation costs	—	4	4	NM	6	16	10	62.5 %	
Selling, general and administrative expenses	\$ 320	\$ 298	\$ (22)	(7.4)%	\$ 948	\$ 917	\$ (31)	(3.4)%	

NM - not meaningful

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. 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 nine months ended September 30, 2019, the increase in Segment SG&A in our BK and PLK segments is primarily due to an increase in advertising fund expenses.

During the three and nine months ended September 30, 2019, the increase in share-based compensation and non-cash incentive compensation expense was primarily due to an increase in the number of equity awards granted during 2019 and an increase associated with equity award modifications in the nine months ended September 30, 2019.

(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 three months ended September 30, 2019 was primarily driven by the recognition of an \$11 million non-cash dilution gain during 2019 from the issuance of additional shares in connection with a merger 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.

The change in (income) loss from equity method investments during the nine months ended September 30, 2019 was primarily driven by the recognition of an \$11 million non-cash dilution gain during 2019 (described above), a \$20 million non-cash dilution gain during 2018 on the initial public offering by one of our equity method investees and a decrease in equity method investment net losses that we recognized during the current year.

Table of Contents

Other Operating Expenses (Income), net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net losses (gains) on disposal of assets, restaurant closures, and franchisings	\$ 6	\$ 7	\$ (1)	\$ 17
Litigation settlements (gains) and reserves, net	1	5	1	(1)
Net losses (gains) on foreign exchange	(35)	(3)	(38)	(19)
Other, net	(2)	17	(6)	12
Other operating expenses (income), net	<u>\$ (30)</u>	<u>\$ 26</u>	<u>\$ (44)</u>	<u>\$ 9</u>

Net losses (gains) on disposal of assets, restaurant closures, and franchisings represent sales of properties and other costs related to restaurant closures and franchisings.

Litigation settlements (gains) and reserves, net primarily reflects payments made and proceeds received in connection with litigation matters.

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

Other, net during the three and nine months ended September 30, 2018 is comprised primarily of an expense in connection with the settlement of certain provisions associated with the 2017 redemption of our preferred shares as a result of changes in Treasury regulations.

Interest Expense, net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Interest expense, net	\$ 137	\$ 135	\$ 406	\$ 405
Weighted average interest rate on long-term debt	5.1%	5.1%	5.1%	4.9%

During the nine months ended September 30, 2019, interest expense, net increased primarily due to an increase in the weighted average interest rate in the current year partially offset by a \$53 million benefit during the nine months ended September 30, 2019 compared to a \$39 million benefit during the period from March 15, 2018 to September 30, 2018 related to the amortization of amounts other than currency movements of our net investment hedges, which is excluded from the accounting hedge. Refer to Note 13, *Derivative Instruments*, to the accompanying unaudited condensed consolidated financial statements for further details of the effects of this excluded component.

Loss on early extinguishment of debt

During the quarter ended September 30, 2019, we prepaid \$235 million principal amount of our existing senior secured term loan and, in connection with this prepayment, we recorded a loss on early extinguishment of debt of \$4 million that primarily reflects the write-off of unamortized debt issuance costs and discounts.

Income Tax Expense

Our effective tax rate was 18.3% and 27.0% for the three months ended September 30, 2019 and 2018, respectively. The decrease in our effective tax rate reflects the non-recurrence of the cumulative impact in the 2018 quarter of certain aspects of U.S. corporate tax reform as well as the benefit in 2019 of internal financing arrangements and a higher tax benefit from stock option exercises. The effective tax rate was reduced by 1.2% and 0.9% for the three months ended September 30, 2019 and 2018, respectively, as a result of benefits from stock option exercises. We expect quarter-to-quarter volatility in the impact of stock option exercises on our effective tax rate based on fluctuations in stock option exercises.

Table of Contents

Our effective tax rate was 21.4% and 15.4% for the nine months ended September 30, 2019 and 2018, respectively. The effective tax rate for the nine months ended September 30, 2019 reflects a \$37 million increase in the provision for unrecognized tax benefits related to a prior restructuring transaction that is not applicable to ongoing operations which increased our effective tax rate by 3.4% for the period. The increase in our effective tax rate also reflects a lower tax benefit from stock option exercises and the benefit from reserve releases in 2018 due to audit settlements, partially offset by the benefits of internal financing arrangements in 2019. The effective tax rate was reduced by 2.9% and 6.9% for the nine months ended September 30, 2019 and 2018, respectively, as a result of benefits from stock option exercises.

Net Income

We reported net income of \$351 million for the three months ended September 30, 2019, compared to net income of \$250 million for the three months ended September 30, 2018. The increase in net income is primarily due to a \$56 million favorable change in the results from other operating expenses (income), net, a \$31 million increase in segment income in all of our segments, a \$14 million decrease in income tax expense, a \$9 million favorable change from the impact of equity method investments, and the non-recurrence of \$4 million of Office centralization and relocation costs. These factors were partially offset by a \$5 million increase in share-based compensation and non-cash incentive compensation expense, a \$4 million loss on early extinguishment of debt in the current year, a \$2 million increase in depreciation and amortization, and a \$2 million increase in interest expense, net.

We reported net income of \$854 million for the nine months ended September 30, 2019, compared to net income of \$843 million for the nine months ended September 30, 2018. The increase in net income is primarily due to a \$53 million favorable change in the results from other operating expenses (income), a \$47 million increase in BK segment income, the non-recurrence of \$10 million of PLK Transaction costs incurred in the prior period, a \$10 million decrease in Office centralization and relocation costs, and a \$9 million increase in PLK segment income. These factors were partially offset by a \$79 million increase in income tax expense, an \$18 million increase in share-based compensation and non-cash incentive compensation expense, a \$7 million unfavorable change from the impact of equity method investments, a \$5 million decrease in TH segment income, a \$4 million loss on early extinguishment of debt in the current year, and a \$3 million increase in Corporate restructuring and tax advisory fees.

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 they provide 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, including Treasury regulations proposed in late 2018, 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.

Table of Contents

	Three Months Ended		Variance		Nine Months Ended		Variance	
	September 30,		\$	%	September 30,		\$	%
	2019	2018	Favorable / (Unfavorable)		2019	2018	Favorable / (Unfavorable)	
Segment income:								
TH	\$ 301	\$ 299	\$ 2	0.7 %	\$ 825	\$ 830	\$ (5)	(0.6)%
BK	254	231	23	10.0 %	728	681	47	6.9 %
PLK	47	41	6	12.3 %	129	120	9	7.3 %
Adjusted EBITDA	602	571	31	5.3 %	1,682	1,631	51	3.1 %
Share-based compensation and non-cash incentive compensation expense	18	13	(5)	(38.5)%	62	44	(18)	(40.9)%
PLK Transaction costs	—	—	—	NM	—	10	10	NM
Corporate restructuring and tax advisory fees	5	5	—	— %	22	19	(3)	(15.8)%
Office centralization and relocation costs	—	4	4	NM	6	16	10	62.5 %
Impact of equity method investments (a)	(9)	—	9	NM	1	(6)	(7)	NM
Other operating expenses (income), net	(30)	26	56	NM	(44)	9	53	NM
EBITDA	618	523	95	18.2 %	1,635	1,539	96	6.2 %
Depreciation and amortization	47	45	(2)	(4.4)%	139	138	(1)	(0.7)%
Income from operations	571	478	93	19.5 %	1,496	1,401	95	6.8 %
Interest expense, net	137	135	(2)	(1.5)%	406	405	(1)	(0.2)%
Loss on early extinguishment of debt	4	—	(4)	NM	4	—	(4)	NM
Income tax expense	79	93	14	15.1 %	232	153	(79)	(51.6)%
Net income	\$ 351	\$ 250	\$ 101	40.4 %	\$ 854	\$ 843	\$ 11	1.3 %

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 September 30, 2019 reflects the increases in segment income in all of our segments. The increase in Adjusted EBITDA for the nine months ended September 30, 2019 reflects the increases in segment income in our BK and PLK segments, partially offset by a decrease in our TH segment.

The increase in EBITDA for the three months ended September 30, 2019 is primarily due to favorable results from other operating expenses (income), net in the current period, increases in segment income in all our segments, favorable results from the impact of equity method investments, and the non-recurrence of Office centralization and relocation costs, partially offset by an increase in share-based compensation and non-cash incentive compensation expense.

The increase in EBITDA for the nine months ended September 30, 2019 is primarily due to favorable results from other operating expenses (income), net in the current period, an increase in segment income in our BK and PLK segments, the non-recurrence of PLK Transaction costs and a decrease in Office centralization and relocation cost, partially offset by an increase in share-based compensation and non-cash incentive compensation expense, unfavorable results from the impact of equity method investments, a decrease in segment income in our TH segment, and an increase in Corporate restructuring and tax advisory fees.

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.

Table of Contents

As of September 30, 2019, we had cash and cash equivalents of \$1,732 million, working capital of \$196 million and borrowing availability of \$498 million under our Revolving Credit Facility (defined below). During the three months ended September 30, 2019, we issued \$750 million of 3.875% first lien senior notes and the net proceeds, reflected in our September 30, 2019 cash and cash equivalents balance, as well as proceeds received from the Term Loan A (defined below) on October 7, 2019, were used to redeem the entire outstanding principal balance of \$1,250 million of our 2015 4.625% Senior Notes (defined below) on October 7, 2019. Additionally, in connection with an amendment to our credit agreement, the aggregate principal amount of the commitments under our Revolving Credit Facility (defined below) was increased to \$1,000 million effective October 7, 2019. 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.

On August 2, 2016, our board of directors approved a share repurchase authorization that allows us to purchase up to \$300 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, 2019, 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 24,853,565 common shares for the one-year period commencing on August 8, 2019 and ending on August 7, 2020, or earlier if we complete the repurchases prior to such date. Under our prior normal course issuer bid that commenced on August 8, 2018, we sought and received approval from the TSX to purchase up to 24,087,172 common shares and did not repurchase any common shares for cancellation in the past 12 months. 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.

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.

Debt Instruments and Debt Service Requirements

As of September 30, 2019, our long-term debt consists primarily of borrowings under our Credit Facilities, amounts outstanding under our 2015 4.625% Senior Notes, 2017 4.25% Senior Notes, 2019 3.875% Senior Notes, 2017 5.00% Senior Notes and TH Facility (each as defined below), and obligations under finance leases. For further information about our long-term debt, see Note 10 to the accompanying unaudited condensed consolidated financial statements included in this report.

Credit Facilities

On September 6, 2019, two of our subsidiaries (the "Borrowers") entered into a fourth incremental facility amendment (the "Fourth Incremental Amendment") to the credit agreement governing our senior secured term loan facilities (the "Term Loan Facilities") and our senior secured revolving credit facility (including revolving loans, swingline loans and letters of credit) (the "Revolving Credit Facility" and together with the Term Loan Facilities, the "Credit Facilities"). Under the Fourth Incremental Amendment, (i) we obtained a new term loan in the aggregate principal amount of \$750 million (the "Term Loan A"), that was funded on October 7, 2019, with a maturity date of October 7, 2024 (subject to earlier maturity in specified circumstances), (ii) the interest rate applicable to the Term Loan A and Revolving Credit Facility is, at our option, either (a) a base rate, subject to floor of 1.00%, plus an applicable margin varying from 0.00% to 0.50%, or (b) a Eurocurrency rate, subject to a floor of 0.00%, plus an applicable margin varying between 0.75% and 1.50%, in each case, determined by reference to a net first lien leverage based pricing grid, (iii) the aggregate principal amount of the commitments under our Revolving Credit Facility was increased to \$1,000 million effective October 7, 2019, (iv) the maturity date of the Revolving Credit Facility was extended from October 13, 2022 to October 7, 2024 (subject to earlier maturity in specified circumstances), and (v) the commitment fee on the unused portion of the Revolving Credit Facility was decreased from 0.25% to 0.15%. The principal amount of the Term Loan A amortizes in quarterly installments equal to \$5 million until October 7, 2022 and thereafter in quarterly installments equal to \$9 million until maturity, with the balance payable at maturity. The Term Loan A will require compliance with the first lien leverage ratio. Except as described herein, the Fourth Incremental Amendment did not materially change the terms of the Credit Facilities.

Prior to obtaining the Term Loan A, our Credit Facilities included only one senior secured term loan facility (the "Term Loan B" and together with the Term Loan A, the "Term Loan Facilities"). During the quarter ended September 30, 2019, we

Table of Contents

prepaid \$235 million principal amount of our Term Loan B. As a result of this prepayment, we are not required to make any principal payments on the Term Loan B until March 31, 2023. As such, as of October 7, 2019, there was \$6,820 million outstanding principal amount under our Term Loan Facilities with a weighted average interest rate of 4.18%. Based on the amounts outstanding under the Term Loan Facilities as of October 7, 2019 and LIBOR as of September 30, 2019, subject to a floor of 0.00% for the Term Loan A and a floor of 1.00% for the Term Loan B, required debt service for the next twelve months is estimated to be approximately \$289 million in interest payments and \$14 million in principal payments. In addition, based on LIBOR as of September 30, 2019, net cash settlements that we expect to pay on our \$4,000 million interest rate swap are estimated to be approximately \$26 million for the next twelve months.

The interest rate applicable to borrowings under our Term Loan B is, at our option, either (i) a base rate, subject to a floor of 2.00%, plus an applicable margin of 1.25% or (ii) a Eurocurrency rate, subject to a floor of 1.00%, plus an applicable margin of 2.25%.

As of September 30, 2019, we had no amounts outstanding under our Revolving Credit Facility, had \$2 million of letters of credit issued against the Revolving Credit Facility, and our borrowing availability was \$498 million. As of October 7, 2019, we had borrowing availability of \$998 million under our 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 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. Under the Fourth Incremental Amendment, the interest rate applicable to amounts drawn under each letter of credit decreased from a range of 1.25% to 2.00% to a range of 0.75% to 1.50%, depending on our first lien leverage ratio.

Senior Notes

On September 24, 2019, the Borrowers entered into an indenture (the "2019 3.875% Senior Notes Indenture") in connection with the issuance of \$750 million of 3.875% first lien senior notes due January 15, 2028 (the "2019 3.875% Senior Notes"). No principal payments are due until maturity and interest is paid semi-annually. On October 7, 2019, the net proceeds from the offering of the 2019 3.875% Senior Notes and a portion of the net proceeds from the Term Loan A were used to redeem the entire outstanding principal balance of \$1,250 million of 4.625% first lien secured notes due January 15, 2022 (the "2015 4.625% Senior Notes") and to pay related fees and expenses.

Obligations under the 2019 3.875% Senior Notes are guaranteed on a senior secured basis, jointly and severally, by the Borrowers and substantially all of the Borrowers' Canadian and U.S. subsidiaries, including The TDL Group Corp., Burger King Worldwide, Inc., Popeyes Louisiana Kitchen, Inc. and substantially all of their respective Canadian and U.S. subsidiaries (the "Note Guarantors"). The 2019 3.875% Senior Notes are first lien senior secured obligations and rank equal in right of payment with all of the existing and future senior debt of the Borrowers and Note Guarantors, including borrowings and guarantees of the Credit Facilities.

Our 2019 3.875% Senior Notes may be redeemed in whole or in part, on or after September 15, 2022 at the redemption prices set forth in the 2019 3.875% Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 2019 3.875% Senior Notes Indenture also contains optional redemption provisions related to tender offers, change of control and equity offerings, among others.

The Borrowers are also party to (i) an indenture (the "2017 4.25% Senior Notes Indenture") in connection with the issuance of \$1,500 million of 4.25% first lien senior secured notes due May 15, 2024 (the "2017 4.25% Senior Notes") and (ii) an indenture (the "2017 5.00% Senior Notes Indenture") in connection with the issuance of \$2,800 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 and 2017 5.00% Senior Notes until maturity and interest is paid semi-annually.

Based on the amounts outstanding at October 7, 2019 after the redemption of the 2015 4.625% Senior Notes, required debt service for the next twelve months on all of the Senior Notes outstanding is approximately \$233 million in interest payments.

TH Facility

One of our subsidiaries entered into a non-revolving delayed drawdown term credit facility in a total aggregate principal amount of C\$225 million (increased from C\$100 million during the three months ended June 30, 2019) with a maturity date of October 4, 2025 (the "TH Facility"). The interest rate applicable to the TH Facility is the Canadian Bankers' Acceptance rate plus an applicable margin equal to 1.40% or the Prime Rate plus an applicable margin equal to 0.40%, at our option. Obligations under the TH Facility are guaranteed by three of our subsidiaries, and amounts borrowed under the TH Facility are secured by certain parcels of real estate. As of September 30, 2019, we had outstanding C\$100 million under the TH Facility with a weighted average interest rate of 3.36%.

[Table of Contents](#)

Restrictions and Covenants

As of September 30, 2019, we were in compliance with all debt covenants under the Credit Facilities, the TH Facility, 2015 4.625% Senior Notes Indenture, 2017 4.25% Senior Notes Indenture, 2019 3.875% Senior Notes Indenture, and 2017 5.00% Senior Notes Indenture, and there were no limitations on our ability to draw on the remaining availability under our Revolving Credit Facility and TH Facility.

Cash Dividends

On October 3, 2019, we paid a dividend of \$0.50 per common share and Partnership made a distribution in respect of each Partnership exchangeable unit in the amount of \$0.50 per Partnership exchangeable unit.

Our board of directors has declared a cash dividend of \$0.50 per common share, which will be paid on January 3, 2020 to common shareholders of record on December 17, 2019. Partnership will also make a distribution in respect of each Partnership exchangeable unit in the amount of \$0.50 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 October 24, 2019, we had outstanding 298,114,230 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, 2018, filed with the SEC and Canadian securities regulatory authorities on February 22, 2019.

There were 165,514,822 Partnership exchangeable units outstanding as of October 24, 2019. During the nine months ended September 30, 2019, Partnership exchanged 41,993,769 Partnership exchangeable units pursuant to exchange notices received. 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.

Comparative Cash Flows

Operating Activities

Cash provided by operating activities was \$911 million during the nine months ended September 30, 2019, compared to \$673 million during the same period in the prior year. The increase in cash provided by operating activities was driven by a decrease in income tax payments, primarily due to the 2018 payment of accrued income taxes related to the December 2017 redemption of preferred shares, an increase in BK segment income and an increase in PLK segment income. These factors were partially offset by an increase in interest payments and a decrease in TH segment income.

Investing Activities

Cash provided by investing activities was \$7 million for the nine months ended September 30, 2019, compared to \$28 million of cash used for investing activities during the same period in the prior year. The change in investing activities was driven by an increase in net proceeds from disposal of assets, restaurant closures and refranchisings and a decrease in capital expenditures.

Financing Activities

Cash used for financing activities was \$106 million for the nine months ended September 30, 2019, compared to \$589 million during the same period in the prior year. The change in financing activities was driven primarily by proceeds from the issuance of the 2019 3.875% Senior Notes during 2019, an increase in proceeds from stock option exercises, proceeds from

Table of Contents

derivatives and the non-recurrence of the 2018 payments in connection with the December 2017 redemption of preferred shares, partially offset by Term Loan B prepayments during 2019, an increase in RBI common share dividends and distributions on Partnership exchangeable units and payment of financing costs.

Contractual Obligations and Commitments

Except as described herein, there were no material changes to our contractual obligations, which are detailed in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC and Canadian securities regulatory authorities on February 22, 2019, other than the following.

During the three months ended September 30, 2019, we issued the 2019 3.875% Senior Notes and prepaid \$235 million principal amount of the Term Loan B. Additionally, on October 7, 2019, we obtained the proceeds from the Term Loan A and redeemed all of the outstanding 2015 4.625% Senior Notes. Each of these terms is defined and described above. The following table provides contractual obligations as of September 30, 2019 and an update as of October 7, 2019, which reflects all of the debt transactions disclosed above, of the contractual obligations under our Credit Facilities, senior notes and other long term debt presented in our Annual Report on Form 10-K for the year ended December 31, 2018.

Contractual Obligations	Total as of September 30, 2019	Payment Due by Period as of October 7, 2019				
		Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
(In millions)						
Credit Facilities, including interest (a)	\$ 7,235	\$ 8,104	\$ 305	\$ 617	\$ 6,558	\$ 624
Senior Notes, including interest (b)	7,683	6,432	233	466	1,942	3,791
Other long term debt	92	92	3	10	19	60

(a) We have estimated our interest payments through the maturity of our Credit Facilities based on LIBOR as of September 30, 2019.

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

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 nine months ended September 30, 2019 to the disclosures made in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC and Canadian securities regulatory authorities on February 22, 2019.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was conducted under the supervision and with the participation of management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and Exchange Act Rules 15d-15(e)) as of September 30, 2019. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of such date.

Internal Control Over Financial Reporting

The Company's management, including the CEO and CFO, confirm there were no changes in the Company's internal control over financial reporting during the three months ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. During the nine months ended September 30, 2019, the Company modified existing controls and processes to support the adoption of the new lease accounting standard that the Company adopted as of January 1, 2019 which included the implementation of a new lease accounting system. There were no significant changes to the Company's internal control over financial reporting due to the adoption of the new standard.

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 Corporate restructuring and tax advisory fees related to the Tax Act and Office centralization and relocation costs; (iii) certain tax matters, including the impact of the Tax Act on future periods; (iv) the amount of net cash settlements we expect to pay on our derivative instruments; and (v) certain accounting matters, including the impact of changes in accounting and our transition to ASC 842.

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 relationship with, and the success of, our franchisees and risks related to our fully franchised business model; (4) the effectiveness of our marketing and advertising programs and franchisee support of these programs; (5) significant and rapid fluctuations in interest rates and in the currency exchange markets and the effectiveness of our hedging activity; (6) our ability to successfully implement our domestic and international growth strategy for our brands and risks related to our international operations; (7) our reliance on master franchisees and subfranchisees to accelerate restaurant growth; (8) the ability of the counterparties to our credit facilities and derivatives to fulfill their commitments and/or obligations; and (9) changes in applicable tax laws or interpretations thereof; and risks related to the complexity of the Tax Act and our ability to accurately interpret and predict its impact on our financial condition and results.

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, 2018 filed with the SEC and Canadian securities regulatory authorities on February 22, 2019, 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.

Table of Contents

Part II – Other Information

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
10.67	Purchase Agreement, dated as of September 6, 2019, among Morgan Stanley & Co. LLC, as representative of the Initial Purchasers (as defined therein), the Issuers (as defined therein) and the Guarantors (as defined therein).
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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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
104	Cover Page Interactive File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

RESTAURANT BRANDS INTERNATIONAL INC.
(Registrant)

Date: October 28, 2019

By: /s/ Matthew Dunnigan

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

48

[\(Back To Top\)](#)

Section 2: EX-10.67 (EXHIBIT 10.67)

EXHIBIT 10.67

Execution Version

1011778 B.C. Unlimited Liability Company
NEW RED FINANCE, INC.

\$750,000,000

3.875% First Lien Senior Secured Notes due 2028

Purchase Agreement

September 6, 2019

Morgan Stanley & Co. LLC
as Representative of the
several Initial Purchasers listed
in Schedule 1 hereto

c/o Morgan Stanley & Co. LLC
1585 Broadway
New York, New York 10036

Ladies and Gentlemen:

1011778 B.C. Unlimited Liability Company, an unlimited liability company organized under the laws of British Columbia (the “Company”), and New Red Finance, Inc., a Delaware corporation and a direct wholly owned subsidiary of the Company (the “Co-Issuer” and, together with the Company, the “Issuers” and each, individually, an “Issuer”), propose, subject to the terms and conditions stated herein, to issue and sell to the several initial purchasers listed in Schedule 1 hereto (the “Initial Purchasers”), for whom you are acting as representative (the “Representative”), \$750,000,000 aggregate principal amount of their 3.875% First Lien

Senior Secured Notes due 2028 (the “Securities”). The Securities will be issued pursuant to an Indenture to be dated as of the Closing Date (as defined in Section 2 hereof) (the “Indenture”) among the Issuers, certain subsidiaries of the Issuers listed on Schedule 2 hereto (the “Guarantors”) and Wilmington Trust, National Association, as trustee (in such capacity, the “Trustee”) and as collateral agent (in such capacity, the “Collateral Agent”), and will be guaranteed on a senior secured first priority basis by each of the Guarantors (the “Guarantees”).

The Securities and the Guarantees will be secured by a first-priority lien (which will be *pari passu* in right of payment and security with the obligations in respect of the Amended Credit Agreement (as defined below) and the Existing First Lien Notes (as defined below)), subject to certain Permitted Liens (as defined below), on substantially all of the tangible and intangible assets of the Issuers and the Guarantors, now owned or hereafter acquired by either of the Issuers or any Guarantor, that secure borrowings under the Amended Credit Agreement on a *pari passu* first-priority basis, subject to certain exceptions described in the Time of Sale Information and the Offering Memorandum (each as defined below) (the “Collateral”). The Collateral shall be described in (a) with respect to fee-owned real property that constitutes Collateral, the mortgages, debentures, hypothecs, deeds of trust or deeds to secure debt (collectively, the “Mortgages”) pursuant to the terms of Schedule 3 hereto, (b) with respect to personal property that constitutes Collateral, that certain U.S. security agreement, dated as of the Closing Date (as defined below) (as amended, supplemented or otherwise modified from time to time, the “U.S. Security Agreement”), by and among the Co-Issuer, the Guarantors party thereto and the Collateral Agent, and that certain Canadian security agreement, dated as of the Closing Date (as amended, supplemented or otherwise modified from time to time, the “Canadian Security Agreement” and, together with the U.S. Security Agreement, the “Security”).

Agreements”), by and among the Company, the Guarantors party thereto and the Collateral Agent, and (c) with respect to the grants of security interest in registrations and/or applications for trademarks, patents and copyrights (and exclusive licenses in any of the foregoing), in the Intellectual Property Security Agreements (as defined below), granting a first-priority security interest in the Collateral, subject to Permitted Liens, for the benefit of the Collateral Agent, the Trustee and each holder of the Securities and the successors and assigns of the foregoing (collectively, the “Secured Parties”). The term “Collateral Documents” as used herein shall mean the Mortgages, the Security Agreements, the Intellectual Property Security Agreements and the Intercreditor Agreements (as defined below).

The rights of the holders of the Securities with respect to the Collateral shall be further governed by:

(i) that certain Intercreditor Agreement, dated as of December 12, 2014, between Wilmington Trust, National Association, as collateral agent for the holders of the Issuers’ \$2,250,000,000 6.00% Second Lien Senior Secured Notes due 2022 (the “2022 Second Lien Notes”), and the Credit Facilities Agent (as defined below), as supplemented by (v) that certain Joinder No. 1, dated as of May 22, 2015, between the Credit Facilities Agent, as First Priority Designated Agent (as defined therein), and Wilmington Trust, National Association, as trustee and collateral agent (the “2022 First Lien Notes Collateral Agent”), for the holders of the Issuers’ \$1,250,000,000 4.625% First Lien Senior Secured Notes due 2022 (the “2022 First Lien Notes”), (w) that certain Joinder No. 2, dated as of May 17, 2017, between the Credit Facilities Agent, as First Priority Designated Agent (as defined therein), and Wilmington Trust, National Association, as collateral agent (the “2024 First Lien Notes Collateral Agent”), for the holders of the Issuers’ \$1,500,000,000 aggregate principal amount of 4.250% First Lien Senior Secured Notes due 2024 (the “2024 First Lien Notes” and, together with the 2022 First Lien Notes, the “Existing First Lien Notes”), (x) that certain Joinder No. 3, dated as of August 28, 2017, between the Credit Facilities Agent, as First Priority Designated Agent (as defined therein), and Wilmington Trust, National Association, as collateral agent for the holders of the Issuers’ \$1,300,000,000 aggregate principal amount of 5.000% Second Lien Senior Secured Notes due 2025 (the “2025 Second Lien Notes”), (y) that certain Joinder No. 4, dated as of October 4, 2017, between the Credit Facilities Agent, as First Priority Designated Agent (as defined therein), and Wilmington Trust, National Association, as collateral agent for the holders of the Issuers’ \$1,500,000,000 aggregate principal amount of 5.000% Second Lien Senior Secured Notes due 2025 (the “Additional 2025 Notes” and, together with the 2022 Second Lien Notes and the 2025 Second Lien Notes, the “Second Lien Notes”) and (z) that certain Joinder No. 5 (the “First Lien-Second Lien Intercreditor Agreement Joinder No. 5”), to be dated as of the Closing Date, between the Credit Facilities Agent, as First Priority Designated Agent (as defined therein), and the Collateral Agent (collectively, the “First Lien-Second Lien Intercreditor Agreement”),

(ii) that certain Intercreditor Agreement, dated as of May 22, 2015, between the 2022 First Lien Notes Collateral Agent and the Credit Facilities Agent and acknowledged by the Issuers and the Guarantors (the “Existing First Lien Intercreditor Agreement”), as supplemented by (y) that certain Joinder No. 1, dated as of May 17, 2017, by the 2024 First Lien Notes Collateral Agent and acknowledged by the Credit Facilities Agent, as Applicable Authorized Representative (as defined therein), the Issuers and the Guarantors (the “First Lien Intercreditor Agreement Joinder No. 1”) and (z) that certain Joinder No. 2 to be dated as of the Closing Date by the Collateral Agent and acknowledged by the Credit Facilities Agent, as Applicable Authorized Representative (as defined therein), the Issuers and the Guarantors (the “First Lien Intercreditor Agreement Joinder No. 2” and, together with the Existing First Lien Intercreditor Agreement and the First Lien Intercreditor Agreement Joinder No. 1, the “First Lien Intercreditor Agreement”), and

(iii) that certain Third Amended and Restated Intercreditor Agreement to be dated as of the Closing Date, among the Collateral Agent, the 2022 First Lien Notes Collateral Agent, the 2024 First Lien Notes Collateral Agent, the Credit Facilities Agent, The TDL Group Corp. (as successor in interest to Tim Hortons Inc.) (“TDL”) and BNY Trust Company of Canada, in its capacity as collateral agent (the “Existing THI Notes Agent”) for the holders under that certain Trust Indenture, dated as of June 1, 2010 (as amended, modified or supplemented to the date hereof, the “Existing THI Notes Indenture”), governing the 4.52% Senior Unsecured Notes, Series 2, due December 1, 2023 (the “Existing THI Notes”) of TDL (the “THI”

Notes Intercreditor Agreement” and together with the First Lien Intercreditor Agreement, the “Intercreditor Agreements”).

As described in the Time of Sale Information and the Offering Memorandum under the caption “Use of proceeds,” the Issuers expect to use the net proceeds of the offering of the Securities, together with borrowings under the Credit Agreement and cash on hand, to redeem the 2022 First Lien Notes (the “Refinancing”) and to pay related fees and expenses. On the Closing Date, the Issuers are expected to make certain amendments to the Credit Agreement, dated as of October 27, 2014, as amended on May 22, 2015, February 17, 2017, March 27, 2017, May 17, 2017, October 13, 2017 and October 2, 2018, by and among 1013421 B.C. Unlimited Liability Company, an unlimited liability company organized under the laws of British Columbia, the Issuers, as the borrowers thereunder, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (the “Credit Facilities Agent”), and each other party from time to time party thereto (the “Credit Agreement” and, as so amended on or prior to the Closing Date, the “Amended Credit Agreement” and, together with any other documents, agreements or instruments delivered in connection therewith, collectively, the “Credit Facilities Documentation”). The issuance and sale of the Securities and the use of proceeds therefrom as described above and the execution and delivery of this Agreement, the Indenture (including each Guarantee set forth therein), the Securities, the Collateral Documents and the Credit Facilities Documentation (such documents, collectively, the “Transaction Documents”) in each case including the transactions contemplated thereby, are herein collectively referred to as the “Transactions”.

The Securities will be sold to the Initial Purchasers who may resell all or a portion of the Securities to purchasers (“Subsequent Purchasers”) without being registered under the Securities Act of 1933, as amended (the “Securities Act”), in reliance upon an exemption therefrom and without the filing of a prospectus with any securities commission or other securities regulatory authority in any province or territory of Canada under the applicable securities laws of each of the provinces and territories of Canada and the respective regulations and rules made thereunder together with all applicable published policy statements, notices, blanket orders and rulings of each such jurisdiction’s securities regulatory authorities (collectively, the “Canadian Securities Laws”). A portion of the Securities may be offered and sold in the provinces of British Columbia, Alberta, Ontario and Quebec (collectively, the “Offering Provinces”) on a private placement basis to “accredited investors”, as defined in National Instrument 45-106 - *Prospectus Exemptions* (“NI 45-106”) or, in Ontario, as defined in Section 73.3(1) of the Securities Act (Ontario) (except, in each case, for the criteria set out in paragraph (j), (k) or (l) of such definition in NI 45-106) that are also “permitted clients”, as defined in Section 1.1 of National Instrument 31-103 - *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“NI 31-103”), in reliance upon the “accredited investor” exemption from the prospectus requirements of the applicable Canadian Securities Laws provided for in section 2.3 of NI 45-106 or, in Ontario, subsection 73.3(2) of the Securities Act (Ontario) (such offer and sale, the “Canadian Private Placement”). The Issuers and the Guarantors have prepared a preliminary offering memorandum dated September 6, 2019 (the “Preliminary Offering Memorandum”) and will prepare an offering memorandum dated the date hereof (the “Offering Memorandum”) setting forth information concerning the Issuers, the Guarantors (including each of their respective subsidiaries), the Securities and the Guarantees. Copies of the Preliminary Offering Memorandum have been, and copies of the Offering Memorandum will be, delivered by the Issuers to the Initial Purchasers pursuant to the terms of this Purchase Agreement (this “Agreement”). The Issuers hereby jointly and severally represent that they have authorized the use of the Preliminary Offering Memorandum, the other Time of Sale Information (as defined below) and the Offering Memorandum in connection with the offering and resale of the Securities by the Initial Purchasers in the manner contemplated by this Agreement. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Time of Sale Information. References herein to the Preliminary Offering Memorandum, the Time of Sale Information and the Offering Memorandum shall be deemed to refer to and include any document incorporated by reference therein and any reference to “amend,” “amendment” or “supplement” with respect to the Preliminary Offering Memorandum or the Offering Memorandum shall be deemed to refer to and include any documents filed after such date and incorporated by reference therein.

At or prior to the time when sales of the Securities were first made (the “Time of Sale”), the Issuers shall have prepared the following information (collectively, the “Time of Sale Information”): the Preliminary Offering Memorandum, as supplemented and amended by the written communications listed on Annex A hereto.

Each of the Issuers and the Guarantors hereby jointly and severally agrees with the several Initial Purchasers concerning the purchase and resale of the Securities, as follows:

1. Purchase and Resale of the Securities. (a) On the basis of the representations, warranties and agreements set forth herein, the Issuers jointly agree to issue and sell the Securities to the several Initial Purchasers as provided in this Agreement, and each Initial Purchaser, on the basis of the representations, warranties and agreements set forth herein and subject to the conditions set forth herein, agrees, severally and not jointly, to purchase from the Issuers the respective principal amount of the Securities set forth opposite such Initial Purchaser's name in Schedule 1 hereto at a price equal to 99.20% of the principal amount thereof plus accrued interest, if any, from September 24, 2019 to the Closing Date. The Issuers will not be obligated to deliver any of the Securities except upon payment for all the Securities to be purchased as provided herein.

(b) The Issuers understand that the Initial Purchasers intend to offer the Securities for resale on the terms set forth in the Time of Sale Information. Each Initial Purchaser, severally and not jointly, represents, warrants and agrees that:

(i) it is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act (a "QIB") and an accredited investor within the meaning of Rule 501(a) of Regulation D under the Securities Act ("Regulation D");

(ii) neither it nor any person engaged by it has solicited offers for, or offered or sold, and will not solicit offers for, or offer or sell, the Securities by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) of Regulation D or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act; and

(iii) neither it nor any person engaged by it has solicited offers for, or offered or sold, and will not solicit offers for, or offer or sell, the Securities as part of their initial offering except:

(A) to persons whom it reasonably believes to be QIBs in transactions pursuant to Rule 144A under the Securities Act ("Rule 144A") and in connection with each such sale, it has taken or will take reasonable steps to ensure that the purchaser of the Securities is aware that such sale is being made in reliance on Rule 144A; or

(B) in accordance with the restrictions set forth in Annex C hereto.

(c) Each Initial Purchaser acknowledges and agrees that the Issuers and, for purposes of the "no registration" opinions (and equivalent exempt distribution opinions in respect of the Canadian Private Placement) to be delivered to the Initial Purchasers pursuant to Section 6(f)(i) and Section 6(f)(ii) and Section 6(g), counsel for the Issuers and counsel for the Initial Purchasers, respectively, may rely upon the accuracy of the representations and warranties of the Initial Purchasers, and compliance by the Initial Purchasers with their agreements, contained in paragraph (b) above (including Annex C hereto) and Section 5, and each Initial Purchaser hereby consents to such reliance.

(d) Each Issuer and each of the Guarantors acknowledge and agree that the Initial Purchasers may offer and sell Securities to or through any affiliate of an Initial Purchaser and that any such affiliate may offer and sell Securities purchased by it to or through any Initial Purchaser; provided that such offers and sales shall be made in accordance with the provisions of this Agreement (including Annex C hereto).

(e) The Issuers and the Guarantors acknowledge and agree that each Initial Purchaser is acting solely in the capacity of an arm's-length contractual counterparty to the Issuers and the Guarantors with respect to the offering of Securities contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or fiduciary to, or agent of, the Issuers, the Guarantors or any other person. Additionally, neither the Representative nor any other Initial Purchaser is advising the Issuers, the Guarantors or any other person

as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuers and the Guarantors shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and neither the Representative nor any other Initial Purchaser shall have any responsibility or liability to the Issuers or the Guarantors with respect thereto. Any review by the Representative or any Initial Purchaser of the Issuers, the Guarantors, any other person and the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Representative or such Initial Purchaser, as the case may be, and shall not be on behalf of the Issuers, the Guarantors or any other person. The Issuers and the Guarantors agree that they will not claim that the Initial Purchasers, or any of them, have rendered services of any nature, or owe a fiduciary or similar duty to the Issuers or the Guarantors, in connection with the purchase and sale of the Securities pursuant to this Agreement or the process leading thereto.

2. Payment and Delivery. (a) Payment for and delivery of the Securities will be made at the offices of Cahill Gordon & Reindel llp at 10:00 a.m., New York City time, on September 24, 2019, or at such other time or place on the same or such other date as the Representative and the Issuers may agree upon in writing not later than the fifth business day thereafter. The time and date of such payment and delivery is referred to herein as the “Closing Date.”

(b) Payment for the Securities shall be made by wire transfer in immediately available funds to the account(s) specified by the Issuers to the Representative against delivery to the nominee of The Depository Trust Company (“DTC”), for the account of the Initial Purchasers, of one or more global notes representing the Securities (collectively, the “Global Note”), with any transfer and other stamp, excise or similar taxes payable in connection with the sale of the Securities duly paid by the Issuers. The Global Note will be made available for inspection by the Representative not later than 1:00 p.m., New York City time, on the business day prior to the Closing Date.

3. Representations and Warranties of the Issuers and the Guarantors. Each of the Issuers and the Guarantors hereby jointly and severally represents and warrants to each Initial Purchaser that:

(a) *Preliminary Offering Memorandum, Time of Sale Information and Offering Memorandum.* The Preliminary Offering Memorandum, as of its date, did not, the Time of Sale Information, at the Time of Sale, did not, and at the Closing Date, will not, and the Offering Memorandum, at the time first used by the Initial Purchasers to confirm sales of the Securities and as of the Closing Date, will not, contain any Misrepresentation; provided that the Issuers and the Guarantors make no representation or warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Initial Purchaser furnished to the Issuers or the Guarantors in writing by or on behalf of such Initial Purchaser through the Representative expressly for use in the Preliminary Offering Memorandum, the Time of Sale Information or the Offering Memorandum. For the purposes of this Agreement, “Misrepresentation” means an untrue statement of a material fact or an omission to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(b) *Additional Written Communications.* Neither the Issuers nor the Guarantors (including their respective agents and representatives, other than the Initial Purchasers in their capacity as such) have prepared, used, authorized or approved, nor will they prepare, use, authorize or approve, any written communication that constitutes an offer to sell or solicitation of an offer to buy the Securities (each such communication by an Issuer, the Guarantors or their respective agents and representatives (other than a communication referred to in clauses (i), (ii) and (iii) below), an “Issuer Written Communication”) other than (i) the Preliminary Offering Memorandum, (ii) the Offering Memorandum, (iii) the documents listed on Annex A hereto, including a term sheet substantially in the form of Annex B hereto, which constitute part of the Time of Sale Information, and (iv) any electronic road show or other written communications, in each case used in accordance with Section 4(c) hereof. Each such Issuer Written Communication, when taken together with the Time of Sale Information, did not, and at the Closing Date will not, contain any Misrepresentation; provided that the Issuers and the Guarantors make no representation and warranty with

respect to any statements or omissions made in each such Issuer Written Communication in reliance upon and in conformity with information relating to any Initial Purchaser furnished to the Issuers or the Guarantors in writing by or on behalf of such Initial Purchaser through the Representative expressly for use in any Issuer Written Communication.

(c) *Incorporated Documents.* The documents incorporated by reference in each of the Time of Sale Information and the Offering Memorandum, when filed with the Securities and Exchange Commission (the “Commission”), conformed or will conform, as the case may be, in all material respects to the requirements of the Exchange Act, and the rules and regulations of the Commission thereunder, and did not and will not contain any Misrepresentation.

(d) *Financial Statements.* The consolidated financial statements and the related notes thereto of Restaurant Brands International Inc. (“Parent”) and its subsidiaries and Restaurant Brands International Limited Partnership (the “Partnership”) and its subsidiaries included or incorporated by reference in each of the Time of Sale Information and the Offering Memorandum present fairly in all material respects the consolidated financial position of Parent and its subsidiaries and the Partnership and its subsidiaries, respectively, as of the dates indicated and the results of their operations and the changes in their cash flows for the periods specified; and such financial statements have been prepared in conformity with U.S. generally accepted accounting principles, applied on a consistent basis throughout the periods covered thereby (except with respect to FASB Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers and ASC Topic 842, Leases); the other financial information included or incorporated by reference in each of the Time of Sale Information and the Offering Memorandum has been derived from the accounting records of Parent and its subsidiaries and the Partnership and its subsidiaries, as applicable, and present fairly in all material respects the information shown thereby. The interactive data in eXtensible Business Reporting Language incorporated by reference in each of the Time of Sale Information and the Offering Memorandum fairly presents the information called for in all material respects and is prepared in accordance with the Commission’s rules and guidelines applicable thereto.

(e) *No Material Adverse Change.* Since the date of the most recent financial statements of Parent and its subsidiaries included or incorporated by reference in each of the Time of Sale Information and the Offering Memorandum except as disclosed in such financial statements, (i) other than as described in the Time of Sale Information and the Offering Memorandum, there has not been any change in the capital stock or long-term debt of the Company, the Co-Issuer or any of their respective subsidiaries, or any dividend or distribution of any kind, other than internal cash distributions, declared, set aside for payment, paid or made by either Issuer, Parent or the Partnership on any class of capital stock, or any material adverse change, or any development involving a prospective material adverse change, in or affecting the business, assets, management, financial position or results of operations of the Issuers and their respective subsidiaries taken as a whole; (ii) none of the Company, the Co-Issuer nor any of their respective subsidiaries has entered into any transaction or agreement that is material to the Issuers and their respective subsidiaries taken as a whole or incurred any liability or obligation, direct or contingent, that is material to the Issuers and their respective subsidiaries taken as a whole; and (iii) none of the Company, the Co-Issuer nor any of their respective subsidiaries has sustained any loss or interference with its business that is material to the Company, the Co-Issuer or any of their respective subsidiaries taken as a whole and that is either from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority, except in respect of clauses (i), (ii) and (iii) above as otherwise disclosed in each of the Time of Sale Information and the Offering Memorandum.

(f) *Organization and Good Standing.* The Issuers and each of their respective subsidiaries have been duly organized or formed and are validly existing and in good standing (if such designation exists in the jurisdiction of organization or formation for such entity) under the laws of their respective jurisdictions of organization, are duly qualified to do business and are in good standing (if such designation exists in the jurisdiction of organization or formation for such entity) in each jurisdiction in which their

respective ownership or lease of property or the conduct of their respective businesses requires such qualification, and have all power and authority necessary to own or hold their respective properties and to conduct the businesses in which they are engaged, except where the failure to be so qualified, in good standing (if such designation exists in the jurisdiction of organization or formation for such entity) or have such power or authority would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, assets, properties, financial position or results of operations of the Issuers and their respective subsidiaries, taken as a whole, or on the performance by the Issuers and the Guarantors of their respective obligations under this Agreement, the Securities and the Guarantees (a “Material Adverse Effect”).

(g) *Capitalization.* At June 30, 2019, on a consolidated basis, after giving pro forma effect to the Transactions, Parent would have had the capitalization as set forth in each of the Time of Sale Information and the Offering Memorandum under the heading “Capitalization” and all the outstanding shares of capital stock or other equity interests of Parent and each subsidiary of Parent, have been duly and validly authorized and issued, are fully paid and non-assessable (except, in the case of any foreign subsidiary, for directors’ qualifying shares) and, with respect to the subsidiaries, are owned directly or indirectly by Parent free and clear of any lien, charge, encumbrance, security interest, restriction on voting or transfer or any other claim of any third party, except in each case pursuant to (i) the Credit Agreement, (ii) the Amended Credit Agreement, (iii) the documentation governing the Existing First Lien Notes, (iv) the documentation governing the Second Lien Notes, (v) the documentation governing the Existing THI Notes or (vi) as disclosed in the Time of Sale Information and the Offering Memorandum.

(h) *Due Authorization.* Each of the Issuers and the Guarantors has, had or will (as of the date on which it executed and delivered such document or will execute and deliver such document) full right, power and authority to execute and deliver, in each case, to the extent a party thereto, this Agreement and each of the other Transaction Documents, and to perform their respective obligations hereunder and thereunder; and all action required to be taken for the due and proper authorization, execution and delivery of each of the Transaction Documents and the consummation of the transactions contemplated thereby has been or will be duly and validly taken on or prior to the Closing Date.

(i) *The Indenture.* The Indenture has been or prior to the Closing Date will be duly authorized by the Issuers and each of the Guarantors and, when duly executed and delivered in accordance with its terms by each of the parties thereto, will constitute a valid and legally binding agreement of the Issuers and each of the Guarantors enforceable against the Issuers and each of the Guarantors in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, fraudulent conveyance, reorganization, moratorium, insolvency or similar laws affecting the enforcement of creditors’ rights generally or by equitable principles (whether considered in a proceeding in equity or law) relating to enforceability (collectively, the “Enforceability Exceptions”).

(j) *The Securities and the Guarantees.* The Securities have been or prior to the Closing Date will be duly authorized by each Issuer and, when duly executed, authenticated, issued and delivered as provided in the Indenture and paid for as provided herein, the Securities will be duly and validly issued and outstanding and will constitute valid and legally binding obligations of each Issuer enforceable against each Issuer in accordance with their terms, subject to the Enforceability Exceptions, and will be entitled to the benefits of the Indenture. The Guarantees have been duly authorized by each of the Guarantors and, when the Securities have been duly executed, authenticated, issued and delivered by the Issuers as provided in the Indenture and paid for as provided herein, the Guarantees will be valid and legally binding obligations of each of the Guarantors, enforceable against each of the Guarantors in accordance with their terms, subject to the Enforceability Exceptions, and will be entitled to the benefits of the Indenture.

(k) *Purchase Agreement.* This Agreement has been duly authorized, executed and delivered by the Issuers and each of the Guarantors.

(l) *Collateral Documents.* Each of the Collateral Documents has been or prior to the Closing Date will be duly authorized by each Issuer and each of the Guarantors, to the extent a party thereto, and on the Closing Date, each of the Collateral Documents will be duly executed and delivered in accordance with its terms by each Issuer and each of the Guarantors, to the extent a party thereto, and, when duly executed and delivered in accordance with its terms by each of the parties thereto, each of the Collateral Documents will constitute a valid and legally binding agreement of each Issuer and each of the Guarantors, to the extent a party thereto, enforceable against each Issuer and each of the Guarantors, to the extent a party thereto, in accordance with its terms, subject to the Enforceability Exceptions.

(m) *Collateral Documents, Financing Statements and Collateral.*

(i) Upon execution and delivery, the Mortgages will be effective to grant a legal, valid and enforceable mortgage lien, charge and security interest on all of the mortgagor's right, title and interest in the real property (including fixtures) that constitutes Collateral (each, a "Mortgaged Property" and, collectively, the "Mortgaged Properties"). When the Mortgages are duly recorded or registered in the proper recording or Land Registry offices or appropriate public records and the mortgage recording fees and taxes in respect thereof are paid and compliance is otherwise had with the formal requirements of state, provincial or local law, applicable to the recording or registration of real estate mortgages generally, each such Mortgage shall constitute a validly perfected and enforceable first-priority lien, charge and security interest in the related Mortgaged Property constituting Collateral for the benefit of the Collateral Agent, the Trustee and the holders of the Securities, subject only to Permitted Liens (as defined below) or liens and encumbrances expressly set forth as an exception to the policies of title insurance, if any, obtained to insure the lien of each Mortgage with respect to each of the Mortgaged Properties (such encumbrances and exceptions, the "Permitted Exceptions"), and to the Enforceability Exceptions;

(ii) Upon execution and delivery, the Security Agreements will be effective to grant a legal, valid and enforceable security interest in all of the grantor's right, title and interest in the Collateral (other than the Mortgaged Properties) (the "Personal Property Collateral") to the Collateral Agent for the benefit of the Secured Parties to secure the obligations under the Indenture and the Securities;

(iii) Upon due and timely filing and/or recording of the financing statements and the short form intellectual property security agreements (the "Intellectual Property Security Agreements"), as applicable, with respect to the Personal Property Collateral, the security interests granted by the Security Agreements will constitute valid, perfected first-priority liens and security interests in the Personal Property Collateral, to the extent such security interests can be perfected by the filing and/or recording, as applicable, of financing statements and the Intellectual Property Security Agreements in favor of the Collateral Agent for the benefit of the Secured Parties, and such security interests will be enforceable in accordance with the terms contained therein against all creditors of any grantor and subject only to liens expressly permitted to be incurred or exist on the Collateral under the Indenture (which, for the avoidance of doubt, includes, without limitation, liens granted under the TH Facility) or Permitted Exceptions, and to the Enforceability Exceptions ("Permitted Liens"); and

(iv) The Issuers and their respective subsidiaries collectively own, have rights in or have the power and authority to collaterally assign rights in the Collateral, free and clear of any liens other than the Permitted Exceptions and the Permitted Liens.

(n) *Descriptions of the Transaction Documents.* Each of the Transaction Documents conforms in all material respects to the description thereof contained in each of the Time of Sale Information and the Offering Memorandum (to the extent described therein).

(o) *No Violation or Default.* None of the Issuers nor any of their respective subsidiaries is (i) in violation of its articles, charter or by-laws or similar organizational documents; (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Issuers or any of their respective subsidiaries is a party or by which the Issuers or any of their respective subsidiaries is bound or to which any of the property or assets of the Issuers or any of their respective subsidiaries is subject; or (iii) in violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority, except, in the case of clauses (ii) and (iii) above, for any such default or violation that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(p) *No Conflicts.* The execution, delivery and performance by each Issuer and each of the Guarantors of each of the Transaction Documents to which each is a party (including but not limited to, the issuance and sale of the Securities (including the Guarantees)), and compliance by each Issuer and each of the Guarantors with the terms thereof and the consummation of the transactions contemplated by the Transaction Documents will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Issuers or any of their respective subsidiaries pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Issuers or any of their respective subsidiaries is a party or by which the Issuers or any of their respective subsidiaries is bound or to which any of the property or assets of the Issuers or any of their respective subsidiaries is subject (other than any lien, charge or encumbrance created or imposed pursuant to the Transaction Documents), (ii) result in any violation of the provisions of the articles, charter or by-laws or similar organizational documents of the Issuers or any of their respective subsidiaries or (iii) result in the violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority, except, in the case of clauses (i) and (iii) above, for any such conflict, breach, violation, default, lien, charge or encumbrance that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(q) *No Consents Required.* No consent, approval, authorization, order, registration or qualification of or with any court or arbitrator or governmental or regulatory authority is required for the execution, delivery and performance by each Issuer and each of the Guarantors of each of the Transaction Documents to which each is a party, the issuance and sale of the Securities (including the Guarantees) and compliance by each Issuer and each of the Guarantors with the terms thereof and the consummation of the transactions contemplated by the Transaction Documents, except for such consents, approvals, authorizations, orders and registrations or qualifications (A) as may be required (i) under applicable state securities laws and Canadian Securities Laws in connection with the purchase and resale of the Securities by the Initial Purchasers, (ii) with respect to perfection of security interests on the Collateral as required under the Transaction Documents and (iii) that if not obtained or made would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or (B) as have been obtained or made prior to the Closing Date.

(r) *Legal Proceedings.* Except as described in each of the Time of Sale Information and the Offering Memorandum, there are no legal, governmental or regulatory investigations, actions, suits or proceedings pending to which the Issuers or any of their respective subsidiaries is or may be a party or to which any property of the Issuers or any of their respective subsidiaries is or may be the subject that, individually or in the aggregate, if determined adversely to the Issuers or any of their respective subsidiaries, could reasonably be expected to have a Material Adverse Effect, and no order, ruling or determination having the effect of suspending the sale or ceasing the trading of any securities of either Issuer or any of the Guarantors has been issued or made by any court, securities regulatory authority or stock exchange or any other regulatory authority and is continuing in effect; and no such investigations,

actions, suits or proceedings are, to the knowledge of each Issuer and each of the Guarantors, threatened or contemplated by any governmental or regulatory authority or by others.

(s) *Independent Auditors.* KPMG LLP (“KPMG”), who has certified certain financial statements of Parent and its subsidiaries and the Partnership and its subsidiaries, is an independent registered public accounting firm with respect to Parent and its subsidiaries and the Partnership and its subsidiaries within the applicable rules and regulations adopted by the Commission and the Public Company Accounting Oversight Board (United States) and as required by the Securities Act.

(t) *Title to Real and Personal Property.* The Issuers and their respective subsidiaries have good and marketable title (in the case of real property in fee simple) to, or have valid rights to lease or otherwise use, all items of real and personal property that are material to the respective businesses of the Issuers and their respective subsidiaries, in each case free and clear of all liens, encumbrances, claims and defects and imperfections of title except for those that (i) would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, (ii) are created pursuant to the Transaction Documents or (iii) are created pursuant to the documentation governing the Existing First Lien Notes, the Second Lien Notes, the Existing THI Notes or the Amended and restated credit agreement, made as of May 24, 2019 (the “TH Facility”), between The TDL Group Corp./Groupe TDL Corporation, Bank of Montreal, as Administrative Agent, and the Lenders referred to therein, as amended, modified, supplemented or replaced from time to time.

(u) *Intellectual Property.* Except as otherwise disclosed in the Time of Sale Information and the Offering Memorandum, the Issuers and their respective subsidiaries own or possess adequate rights to use all material patents, trademarks, service marks, trade names, trademark registrations, service mark registrations and other indicia of origin, copyrights, works of authorship, all applications and registrations for the foregoing, domain names and know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) necessary for the conduct of their respective businesses as currently conducted, free of liens (other than liens created pursuant to the Transaction Documents and the documentation governing the Existing First Lien Notes, the Second Lien Notes or the Existing THI Notes); to the knowledge of the Issuers and the Guarantors, the conduct of their respective businesses does not infringe or otherwise violate any such rights of others (except for such infringements or other violations as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect); to the knowledge of each Issuer and each of the Guarantors, no third party violates or infringes the intellectual property owned by the Issuers or any of their respective subsidiaries except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and none of the Issuers or their respective subsidiaries have received any written notice of any claim of infringement or other violation of any such rights of others that, if determined in a manner adverse to the Issuers or their respective subsidiaries, would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(v) *No Undisclosed Relationships.* No relationship, direct or indirect, exists between or among the Issuers and any of their respective subsidiaries, on the one hand, and the directors, officers, stockholders or other affiliates of the Issuers or any of their respective subsidiaries, on the other, that is required by the Securities Act to be described in a registration statement to be filed with the Commission and that is not so described in each of the Time of Sale Information and the Offering Memorandum.

(w) *Investment Company Act.* None of the Issuers nor any of the Guarantors is, and after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in each of the Time of Sale Information and the Offering Memorandum, none of them will be required to be registered as an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

(x) *Taxes.*

(A) The Issuers and each of their respective subsidiaries have paid all federal, provincial, state, local and foreign taxes (including any related interest, penalties and additions to tax) due and payable by them (including in their capacity as withholding agent) and have filed all tax returns required to be filed (taking into account any validly-obtained extension of the time within which to file) except for (i) items being contested in good faith and by appropriate proceedings for which adequate reserves for taxes have been established in accordance with generally accepted accounting principles or (ii) where failure to pay or file, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; and except as otherwise disclosed in each of the Time of Sale Information and the Offering Memorandum, there is no tax audit, assessment, deficiency or other claim that has been, or could reasonably be expected to be, asserted against either Issuer or any of their respective subsidiaries or any of their respective properties or assets, except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(B) Except to the extent that any such payments are made in respect of services physically performed in Canada, no withholding tax imposed under the *Income Tax Act* (Canada) (the “Canadian Tax Act”) will be payable in respect of any payments under this Agreement to an Initial Purchaser other than withholding tax imposed as a result of the Initial Purchaser (i) carrying on business in Canada for the purposes of the Canadian Tax Act; (ii) not dealing at arm’s-length with each of the Issuers for the purposes of the Canadian Tax Act and (iii) being a “specified shareholder” of the Company or not dealing at arm’s length with a “specified shareholder” of the Company (as defined in the Canadian Tax Act).

(y) *Licenses and Permits.* The Issuers and their respective subsidiaries possess all licenses, certificates, permits and other authorizations issued by, and have made all declarations and filings with, the appropriate federal, provincial, state, local or foreign governmental or regulatory authorities that are necessary for the ownership or lease of their respective properties or the conduct of their respective businesses as described in each of the Time of Sale Information and the Offering Memorandum, except where the failure to possess or make the same would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and none of the Issuers nor any of their respective subsidiaries has received notice of any revocation or modification of any such license, certificate, permit or authorization or has any reason to believe that any such license, certificate, permit or authorization will not be renewed in the ordinary course, except where such modification or failure to renew, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(z) *No Labor Disputes.* No labor disturbance by or dispute with employees of either Issuer or any of their respective subsidiaries exists or, to the knowledge of the Issuers and each of the Guarantors, is contemplated or threatened, and none of the Issuers nor any Guarantor is aware of any existing or imminent labor disturbance by, or dispute with, the employees of any of the Issuers’ or any of their respective subsidiaries’ principal suppliers, contractors or customers, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(aa) *Compliance with Environmental Laws.* (i) The Issuers and their respective subsidiaries (x) are, and were during the applicable statute of limitations, in compliance with any and all applicable federal, provincial, state, local and foreign laws, rules, regulations, requirements, decisions and orders relating to the protection of human health or safety, the environment, natural resources, hazardous or toxic substances or wastes, pollutants or contaminants (collectively, “Environmental Laws”), (y) have received and are in compliance with all permits, licenses, certificates or other authorizations or approvals required of them under applicable Environmental Laws to conduct their respective businesses as currently conducted, and (z) have not received written notice of any actual or potential liability under or relating to any Environmental Laws, including for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, and have no knowledge of any event or condition that

would reasonably be expected to result in any such notice, that would with respect to subclause (x), (y) or (z) of this clause (i), individually or in the aggregate, be reasonably expected to have a Material Adverse Effect, and (ii) there are no costs or liabilities associated with Environmental Laws of or relating to the Issuers or their respective subsidiaries, except in the case of each of (i) and (ii) above, for any such failure to comply, or failure to receive required permits, licenses or approvals, written notice, or cost or liability, as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and (iii) (x) there are no proceedings that are pending, or that are to the Issuers' or the Guarantors' knowledge contemplated, against the Issuers or any of their respective subsidiaries under any Environmental Laws in which a governmental entity is also a party, other than such proceedings regarding which it is reasonably believed no monetary sanctions of \$100,000 or more will be imposed, (y) none of the Issuers nor any of the Guarantors has knowledge of any issues regarding compliance with Environmental Laws, or liabilities or other obligations under Environmental Laws or concerning hazardous or toxic substances or wastes, pollutants or contaminants, that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and (z) none of the Issuers and their respective subsidiaries anticipates material capital expenditures relating to any Environmental Laws that would, individually or in the aggregate reasonably be expected to have a Material Adverse Effect.

(ab) *Compliance with ERISA.* (i) Each employee benefit plan, within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), for which the Issuers or any member of their respective "Controlled Group" (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414 of the Internal Revenue Code of 1986, as amended (the "Code")) would have any liability (each, a "Plan") has been maintained in compliance with its terms and the requirements of any applicable statutes, orders, rules and regulations, including but not limited to ERISA and the Code; (ii) no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any Plan excluding transactions effected pursuant to a statutory or administrative exemption; (iii) for each Plan that is subject to the funding rules of Section 412 of the Code or Section 302 of ERISA, no failure to satisfy the minimum funding standard under Section 412 of the Code or Section 302 of ERISA, whether or not waived, has occurred or is reasonably expected to occur; (iv) except as otherwise disclosed in the Time of Sale Information and the Offering Memorandum, the fair market value of the assets of each Plan exceeds the present value of all benefits accrued under such Plan (determined based on those assumptions used to fund such Plan); (v) except as otherwise disclosed in the Time of Sale Information and the Offering Memorandum, each pension plan within the meaning of Section 3(2) of ERISA that is maintained outside the jurisdiction of the United States satisfies the minimum funding requirements to the extent required by applicable law; (vi) no "reportable event" (within the meaning of Section 4043 (c) of ERISA) has occurred or is reasonably expected to occur; and (vii) none of the Issuers nor any member of their respective Controlled Group has incurred, nor reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the PBGC, in the ordinary course and without default) in respect of a Plan (including a "multiemployer plan," within the meaning of Section 4001(a)(3) of ERISA), and except for where failure to comply with any of the clauses (i) through (vii) of this paragraph would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(ac) *Disclosure Controls.* Each of Parent and its subsidiaries and the Partnership and its subsidiaries maintain a system of "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Exchange Act) that is designed to ensure that information required to be disclosed by Parent or the Partnership, as the case may be, in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, including controls and procedures designed to ensure that such information is accumulated and communicated to Parent's or the Partnership's, as the case may be, management as appropriate to allow timely decisions regarding required disclosure. Each of Parent and its subsidiaries and the Partnership and its subsidiaries has carried out evaluations of the effectiveness of their disclosure controls and procedures as required by Rule 13a-15 of the Exchange Act.

(ad) *Accounting Controls.* Each of Parent and its subsidiaries and the Partnership and its subsidiaries maintains systems of “internal control over financial reporting” (as defined in Rule 13a-15(f) of the Exchange Act and in NI 52-109) that comply with the requirements of the Exchange Act and Canadian Securities Laws and have been designed by, or under the supervision of, their respective principal executive and principal financial officers, or persons performing similar functions, 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. Each of Parent and its subsidiaries and the Partnership and its subsidiaries maintains internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management’s general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (v) interactive data in eXtensible Business Reporting Language incorporated by reference in each of the Preliminary Offering Memorandum, the Time of Sale Information and the Offering Memorandum is prepared in accordance with the Commission's rules and guidelines applicable thereto. There are no material weaknesses in each of Parent’s and its subsidiaries’ and the Partnership’s and its subsidiaries’ internal controls.

(ae) *Insurance.* The Issuers and their respective subsidiaries have insurance covering their respective properties, operations, personnel and businesses, including business interruption insurance, which insurance is in amounts and insures against such losses and risks as the Issuers and their respective subsidiaries believe are adequate to protect their respective businesses; and none of the Issuers or any of their respective subsidiaries has (i) received notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance or (ii) any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage at reasonable cost from similar insurers, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(af) *No Unlawful Payments.* None of either Issuer or any of their respective subsidiaries, nor any director, officer or employee of either Issuer or any of their respective subsidiaries nor, to the knowledge of either Issuer or any of the Guarantors, any agent, affiliate or other person associated with or acting on behalf of either Issuer or any of their respective subsidiaries has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made or taken an act in furtherance of an offer, promise or authorization of any direct or indirect unlawful payment or benefit to any foreign or domestic government official or employee, including of any government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, the *Corruption of Foreign Public Officials Act* (Canada) or any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or committed an offence under the Bribery Act 2010 of the United Kingdom, or any other applicable anti-bribery or anti-corruption law of any other relevant jurisdiction; or (iv) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit. The Issuers and their respective subsidiaries have instituted, maintain and enforce policies and procedures designed to promote and ensure compliance with all applicable anti-bribery and anti-corruption laws.

(ag) *Compliance with Money Laundering Laws.* The operations of the Issuers and their respective subsidiaries are and have been conducted at all times in compliance in all material respects with applicable financial recordkeeping and reporting requirements including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the *Proceeds of Crime (Money Laundering) and Terrorist*

Financing Act (Canada), the money laundering statutes of all jurisdictions where each Issuer or any of their respective subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the “Money Laundering Laws”), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving either Issuer or any of their respective subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of either Issuer or any of the Guarantors, threatened.

(ah) *Compliance with Sanctions Laws.* None of the Issuers nor any of their respective subsidiaries, directors, officers or employees, nor, to the knowledge of the Issuers or any of the Guarantors, any agent, affiliate or other person associated with or acting on behalf of the Issuers or any of their respective subsidiaries is currently the subject or the target of any comprehensive sanctions administered or enforced by the U.S. government (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State and including, without limitation, the designation as a “specially designated national” or “blocked person”), the Government of Canada, the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority (collectively, “Sanctions”), nor is any Issuer or any of their respective subsidiaries located, organized or resident in a country or territory that is the subject or target of comprehensive Sanctions, including, without limitation, Crimea, Cuba, Iran, North Korea and Syria (each, a “Sanctioned Country”); and the Issuers will not, to the extent required to comply with the Sanctions, directly or knowingly, indirectly use the proceeds of the offering of the Securities hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is the subject or target of comprehensive Sanctions, (ii) to fund or facilitate any activities of or business in any Sanctioned Country unless otherwise authorized by law or (iii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, initial purchaser, advisor, investor or otherwise) of comprehensive Sanctions.

(ai) *Solvency.* On and immediately after the consummation of the Transactions, the Issuers and the Guarantors on a consolidated basis (after giving effect to the issuance of the Securities, the Transactions and the other transactions related thereto as described in each of the Time of Sale Information and the Offering Memorandum) will be Solvent. As used in this paragraph, the term “Solvent” means, with respect to a particular date, that on such date (i) the present fair market value (or present fair saleable value) of the assets of the Issuers and the Guarantors is not less than the total amount required to pay the liabilities of the Issuers and the Guarantors on their combined total existing debts and liabilities (including contingent liabilities) as they become absolute and matured; (ii) the Issuers and the Guarantors are able to realize upon their assets and pay their debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business; (iii) assuming consummation of the issuance of the Securities as contemplated by this Agreement and the use of proceeds therefrom as described in the Time of Sale Information and the Offering Memorandum, the Issuers and the Guarantors are not incurring debts or liabilities beyond their ability to pay as such debts and liabilities mature; (iv) the Issuers and the Guarantors are not engaged in any business or transaction, and do not propose to engage in any business or transaction, for which their property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which the Issuers and their respective subsidiaries are engaged; and (v) the Issuers and the Guarantors are not defendants in any civil action that would result in a judgment that the Issuers and the Guarantors are or would become unable to satisfy.

(aj) *No Restrictions on Subsidiaries.* On the Closing Date and assuming consummation of the Transactions, no subsidiary of the Issuers will be prohibited, directly or indirectly, under any agreement or other instrument to which it is as of the Closing Date (assuming consummation of the Transactions) a party or will be subject, from paying any dividends to the Issuers, from making any other distribution on such subsidiary’s capital stock or similar ownership interests, from repaying to the Issuers any loans or advances to such subsidiary from the Issuers or such other subsidiary or from transferring any of such subsidiary’s

properties or assets to the Issuers or any other subsidiary of the Issuers, except (i) to the extent such restriction or prohibition would constitute a Permitted Lien under and as defined in the Indenture, the other Transaction Documents, or the documentation governing the Existing First Lien Notes, the Second Lien Notes, the Existing THI Notes or the TH Facility or (ii) as disclosed in the Time of Sale Information and the Offering Memorandum or as created under the Transaction Documents, or the documentation governing the Existing First Lien Notes, the Second Lien Notes, the Existing THI Notes or the TH Facility.

(ak) *No Broker's Fees.* None of either Issuer nor any of their respective subsidiaries is a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against any of them or any Initial Purchaser for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Securities.

(al) *Rule 144A Eligibility.* On the Closing Date, the Securities will not be of the same class as securities listed on a national securities exchange registered under Section 6 of the Exchange Act or quoted in an automated inter-dealer quotation system; and each of the Preliminary Offering Memorandum and the Offering Memorandum, as of its respective date, contains or will contain all the information that, if requested by a prospective purchaser of the Securities, would be required to be provided to such prospective purchaser pursuant to Rule 144A(d)(4) under the Securities Act.

(am) *No Integration.* None of the Issuers, the Guarantors nor any of their respective affiliates (as defined in Rule 501(b) of Regulation D) has, directly or through any agent, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Securities Act), that is or will be integrated with the sale of the Securities in a manner that would require registration of the Securities under the Securities Act.

(an) *No General Solicitation or Directed Selling Efforts.* None of the Issuers, the Guarantors nor any of their respective affiliates or any other person acting on its or their behalf (other than the Initial Purchasers, as to which no representation is made) has (i) solicited offers for, or offered or sold, the Securities by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) of Regulation D or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act or (ii) engaged in any directed selling efforts within the meaning of Regulation S under the Securities Act ("Regulation S"), and all such persons have complied with the offering restrictions requirement of Regulation S.

(ao) *Securities Law Exemptions.* Assuming the accuracy of the representations and warranties of the Initial Purchasers contained in Section 1(b) (including Annex C hereto) and Section 5 and their compliance with their agreements set forth therein, it is not necessary, in connection with the issuance and sale of the Securities to the Initial Purchasers and the offer, resale and delivery of the Securities by the Initial Purchasers to Subsequent Purchasers in the manner contemplated by this Agreement, the Time of Sale Information and the Offering Memorandum, to register the Securities under the Securities Act nor to file a prospectus under Canadian Securities Laws to qualify the distribution of the Securities or to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

(ap) *No Stabilization.* None of the Issuers nor any of the Guarantors has taken, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Securities.

(aq) *Margin Rules.* Neither the issuance, sale and delivery of the Securities, nor the consummation of the Transactions or the application of the proceeds thereof by the Issuers as described in each of the Time of Sale Information and the Offering Memorandum will violate Regulation T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors.

(ar) *Forward-Looking Statements.* No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) contained or incorporated by reference in any of the Time of Sale Information or the Offering Memorandum has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

(as) *Statistical and Market Data.* Nothing has come to the attention of either Issuer or any Guarantor that has caused such entity to believe that the statistical and market-related data included or incorporated by reference in each of the Time of Sale Information and the Offering Memorandum is not based on or derived from sources that are reliable and accurate in all material respects.

(at) *Sarbanes-Oxley Act.* To the extent applicable, there is and has been no failure on the part of Parent or any of its subsidiaries or the Partnership or any of its subsidiaries or any of their respective directors or officers, in their capacities as such, to comply with any provision of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith (the "Sarbanes-Oxley Act"), including Section 402 related to loans and Sections 302 and 906 related to certifications.

(au) *Cybersecurity.* Except as disclosed in the Time of Sale Information and the Offering Memorandum, to the knowledge of the Issuers, the Issuers' and their respective subsidiaries' information technology assets and equipment, computers, systems, networks, hardware, software, websites, applications, and databases (collectively, "IT Systems") are reasonably believed by the Issuers to be adequate for, and operate and perform in all material respects as required in connection with the operation of the business of the Issuers and their respective subsidiaries as currently conducted, and, to the Issuers' knowledge, are free and clear of all material bugs, errors, defects, Trojan horses, time bombs, malware and other corruptants. Except as disclosed in the Time of Sale Information and the Offering Memorandum, to the knowledge of the Issuers, the Issuers and their respective subsidiaries have used reasonable efforts to establish, implement and maintain commercially reasonable controls, policies, procedures, and safeguards to maintain and protect their material confidential information and the integrity, continuous operation, redundancy and security of all material IT Systems and data (including all personal, personally identifiable, sensitive, confidential or regulated data ("Personal Data")) used in connection with their businesses, and except as disclosed in the Time of Sale Information and the Offering Memorandum, to the knowledge of the Issuers, there have been no breaches, violations, outages or unauthorized uses of or accesses to same, except for those that have been remedied without material cost or liability or the duty to notify any other person, nor are there any known incidents under internal review or investigation relating to the same. Except as disclosed in the Time of Sale Information and the Offering Memorandum, to the knowledge of the Issuers, the Issuers and their respective subsidiaries are presently in compliance in all material respects with all applicable laws or statutes and all judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, internal policies and contractual obligations relating to the privacy and security of IT Systems and Personal Data and to the protection of such IT Systems and Personal Data from unauthorized use, access, misappropriation or modification.

4. Further Agreements of the Issuers and the Guarantors. Each of the Issuers and each Guarantor hereby jointly and severally, covenants and agrees with each Initial Purchaser that:

(a) *Delivery of Copies.* The Issuers will deliver, without charge, to the Initial Purchasers as many copies of the Preliminary Offering Memorandum, any other Time of Sale Information, any Issuer Written Communication and the Offering Memorandum (including all amendments and supplements thereto) as the Representative may reasonably request.

(b) *Offering Memorandum, Amendments or Supplements.* Before finalizing the Offering Memorandum or making or distributing any amendment or supplement to any of the Time of Sale Information or the Offering Memorandum or filing with the Commission any document that will be incorporated by reference therein, the Issuers will furnish to the Representative and counsel for the Initial Purchasers a copy of the proposed Offering Memorandum or such amendment or supplement or document to be incorporated by reference therein for review, and will not distribute any such proposed Offering

Memorandum, amendment or supplement or file any such document with the Commission to which the Representative reasonably objects.

(c) *Additional Written Communications.* Before using, authorizing, approving or referring to any Issuer Written Communication (other than those listed on Annex A), the Issuers will furnish to the Representative and counsel for the Initial Purchasers a copy of such written communication for review and will not use, authorize, approve or refer to any such written communication to which the Representative reasonably objects.

(d) *Notice to the Representative.* The Issuers will advise the Representative promptly, and confirm such advice in writing, (i) of the issuance by any governmental or regulatory authority of any order preventing or suspending the use of any of the Time of Sale Information, any Issuer Written Communication or the Offering Memorandum or the initiation or threatening of any proceeding for that purpose; (ii) of the occurrence of any event at any time prior to the completion of the initial offering of the Securities by the Initial Purchasers as a result of which any of the Time of Sale Information, any Issuer Written Communication or the Offering Memorandum as then amended or supplemented would include any Misrepresentation when such Time of Sale Information, Issuer Written Communication or the Offering Memorandum is delivered to a purchaser; and (iii) of the receipt by any Issuer of any notice with respect to any suspension of the qualification of the Securities for offer and sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and each of the Issuers will use its reasonable best efforts to prevent the issuance of any such order preventing or suspending the use of any of the Time of Sale Information, any Issuer Written Communication or the Offering Memorandum or suspending any such qualification of the Securities and, if any such order is issued, will use reasonable best efforts to obtain as soon as possible the withdrawal thereof.

(e) *Time of Sale Information.* If at any time prior to the Closing Date (i) any event shall occur or condition shall exist as a result of which any of the Time of Sale Information as then amended or supplemented would include any Misrepresentation or (ii) it is necessary to amend or supplement any of the Time of Sale Information to comply with law, the Issuers will promptly notify the Initial Purchasers thereof and forthwith prepare and, subject to paragraph (b) above, furnish to the Initial Purchasers such amendments or supplements to any of the Time of Sale Information (or any document to be filed with the Commission and incorporated by reference therein) as may be necessary so that the statements in any of the Time of Sale Information as so amended or supplemented (including such documents to be incorporated by reference therein) will not contain any Misrepresentation or so that any of the Time of Sale Information will comply with law.

(f) *Ongoing Compliance of the Offering Memorandum.* If at any time prior to the completion of the initial offering of the Securities (i) any event shall occur or condition shall exist as a result of which the Offering Memorandum as then amended or supplemented would include any Misrepresentation when the Offering Memorandum is delivered to a purchaser or (ii) it is necessary to amend or supplement the Offering Memorandum to comply with law, the Issuers will promptly notify the Initial Purchasers thereof and forthwith prepare and, subject to paragraph (b) above, furnish to the Initial Purchasers such amendments or supplements to the Offering Memorandum as may be necessary so that the statements in the Offering Memorandum (or any document to be filed with the Commission and incorporated by reference therein) as so amended or supplemented (including such document to be incorporated by reference therein) will not contain any Misrepresentation when the Offering Memorandum is delivered to a purchaser or so that the Offering Memorandum will comply with law.

(g) *Blue Sky Compliance.* The Issuers will qualify the Securities for offer and sale under the securities or “blue sky” laws of such jurisdictions as the Representative shall reasonably request (or, in the case of any offer and sale of the Securities in the Offering Provinces, rely on applicable exemptions from the prospectus requirements of applicable Canadian Securities Laws for purposes of the Canadian Private Placement) and will continue such qualifications in effect so long as required for the offering and resale to

Subsequent Purchasers of the Securities; provided that none of the Issuers or any of the Guarantors shall be required to (i) qualify as a foreign corporation or other entity or as a dealer in securities in any such jurisdiction where it would not otherwise be required to so qualify, (ii) file any general consent to service of process in any such jurisdiction, (iii) subject itself to taxation in any such jurisdiction if it is not otherwise so subject or (iv) file, or obtain a receipt for, a prospectus with and from any Canadian securities regulator to qualify such offer, sale or delivery of the Securities under any Canadian Securities Laws.

(h) *Clear Market.* During the period from the date hereof through and including the date that is 60 days after the Closing Date, each Issuer and each of the Guarantors will not, without the prior written consent of the Representative, offer, sell, contract to sell, pledge or otherwise dispose of any debt securities issued or guaranteed by either Issuer or any of the Guarantors and having a term of more than one year (other than the Securities).

(i) *Use of Proceeds.* The Issuers will apply the net proceeds from the sale of the Securities in the manner described in each of the Time of Sale Information and the Offering Memorandum under the heading "Use of proceeds."

(j) *Supplying Information.* While the Securities remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, each Issuer and each of the Guarantors will, during any period in which the Issuers are not subject to and in compliance with Section 13 or 15(d) of the Exchange Act, furnish to holders of the Securities and prospective purchasers of the Securities designated by such holders, upon the request of such holders or such prospective purchasers, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(k) *DTC.* The Issuers will assist the Initial Purchasers in arranging for the Securities to be eligible for clearance and settlement through DTC.

(l) *No Resales by the Issuers, Parent and the Partnership.* Until the first anniversary of the Closing Date, each of the Issuers will not, and will not permit Parent, the Partnership or any of the Issuers' respective controlled affiliates (as defined in Rule 144 under the Securities Act) to, resell any of the Securities that have been acquired by any of them, except for Securities purchased by an Issuer or any of their respective affiliates and (i) resold in a transaction registered under the Securities Act or (ii) resold in a transaction exempt from registration under the Securities Act, provided that any Notes transferred under this clause (ii) must bear the restrictive legend set forth in the Offering Memorandum for at least one year following such resale.

(m) *No Integration.* None of the Issuers nor any of their respective affiliates (as defined in Rule 501(b) of Regulation D) will, directly or through any agent, sell, offer for sale, solicit offers to buy or otherwise negotiate in respect of, any security (as defined in the Securities Act), that is or will be integrated with the sale of the Securities in a manner that would require registration of the Securities under the Securities Act.

(n) *No General Solicitation or Directed Selling Efforts.* None of the Issuers nor any of their respective affiliates or any other person acting on its or their behalf (other than the Initial Purchasers, as to which no covenant is given) will (i) solicit offers for, or offer or sell, the Securities by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) of Regulation D or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act or (ii) engage in any directed selling efforts within the meaning of Regulation S, and all such persons will comply with the offering restrictions requirement of Regulation S.

(o) *No Stabilization.* None of the Issuers nor any of the Guarantors will take, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Securities.

(p) *Perfection of Security Interests.* The Issuers and each Guarantor (i) shall complete on or prior to the Closing Date all filings and other similar actions required in connection with the perfection of first-priority security interests in the Collateral as and to the extent contemplated by the Indenture and the Collateral Documents and (ii) shall take all actions necessary to maintain such security interests and to perfect security interests in any Collateral acquired after the Closing Date, in each case as and to the extent contemplated by the Indenture and the Collateral Documents; provided that the Issuers and the Guarantors may deliver, furnish and/or cause to be furnished all of the obligations set forth on Schedule 3 hereto within the time periods set forth therein.

5. Certain Agreements of the Initial Purchasers. Each Initial Purchaser hereby severally and not jointly represents and agrees that it has not and will not use, authorize use of, refer to, or participate in the planning for use of, any written communication that constitutes an offer to sell or the solicitation of an offer to buy the Securities other than (i) the Preliminary Offering Memorandum and the Offering Memorandum, (ii) a written communication that contains either (a) no “issuer information” (as defined in Rule 433(h)(2) under the Securities Act) or (b) “issuer information” that was included (including through incorporation by reference) in the Time of Sale Information or the Offering Memorandum, (iii) any written communication listed on Annex A or prepared by the Issuers pursuant to Section 4(c) above (including any electronic road show), (iv) any written communication prepared by such Initial Purchaser and approved by the Issuers in advance in writing or (v) any written communication that only contains the terms of the Securities and/or other information that was included (including through incorporation by reference) or will be included in the Time of Sale Information or the Offering Memorandum.

6. Conditions of Initial Purchasers’ Obligations. The obligation of each Initial Purchaser to purchase Securities on the Closing Date as provided herein is subject to the performance by each Issuer and each of the Guarantors of their respective covenants and other obligations hereunder and to the following additional conditions:

(a) *Representations and Warranties.* The representations and warranties of the Issuers and the Guarantors contained herein shall be true and correct on the date hereof and on and as of the Closing Date; and the statements of the Issuers, the Guarantors and their respective officers made in any certificates delivered pursuant to this Agreement shall be true and correct on and as of the Closing Date.

(b) *No Downgrade.* Subsequent to the earlier of (A) the Time of Sale and (B) the execution and delivery of this Agreement, (i) no downgrading shall have occurred in the rating accorded the Securities or any other debt securities or preferred stock issued or guaranteed by any Issuer, Parent, the Partnership or any of their respective subsidiaries by any “nationally recognized statistical rating organization,” as such term is defined by the Commission for purposes of Section 3(a)(62) of the Exchange Act; and (ii) no such organization shall have publicly announced that it has under surveillance or review, or has changed its outlook with respect to, its rating of the Securities or of any other debt securities or preferred stock issued or guaranteed by any Issuer, Parent, the Partnership or any of their respective subsidiaries (other than an announcement with positive implications of a possible upgrading).

(c) *No Material Adverse Change.* No event or condition described in Section 3(e) hereof shall have occurred or shall exist, which event or condition is not described in each of the Time of Sale Information (excluding any amendment or supplement thereto) and the Offering Memorandum (excluding any amendment or supplement thereto) and the effect of which in the judgment of the Representative makes it impracticable or inadvisable to proceed with the offering, sale or delivery of the Securities on the terms and in the manner contemplated by this Agreement, the Time of Sale Information and the Offering Memorandum.

(d) *Officer’s Certificate.* The Representative shall have received on and as of the Closing Date a certificate of an executive officer of the Company and of each Guarantor who has specific knowledge of the Company’s or such Guarantor’s financial matters and is satisfactory to the Representative (i) confirming

that such officer has carefully reviewed the Time of Sale Information and the Offering Memorandum and, to the knowledge of such officer, the representations set forth in Sections 3(a), 3(b) and 3(d) hereof are true and correct, (ii) confirming that the other representations and warranties of the Issuers and the Guarantors in this Agreement are true and correct and that the Issuers and the Guarantors have complied in all material respects with all agreements and satisfied all conditions on their part to be performed or satisfied hereunder at or prior to the Closing Date and (iii) to the effect set forth in paragraphs (b) and (c) above.

(e) *Comfort Letters.* On the date of this Agreement and on the Closing Date, KPMG shall have furnished to the Representative, at the request of Parent and the Partnership, letters, dated the respective dates of delivery thereof and addressed to the Initial Purchasers, in form and substance reasonably satisfactory to the Representative, containing statements and information of the type customarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained or incorporated by reference in each of the Time of Sale Information and the Offering Memorandum; provided that the letter delivered on the Closing Date shall use a "cut-off" date no more than three business days prior to the Closing Date.

(f) *Opinion and 10b-5 Statement of Counsel for the Issuers and the Guarantors.* (i) Kirkland & Ellis LLP, U.S. counsel for the Issuers and the Guarantors, shall have furnished to the Representative, at the request of the Issuers, its written opinions and 10b-5 statement, dated the Closing Date and addressed to the Initial Purchasers, in form and substance reasonably satisfactory to the Initial Purchasers, (ii) Stikeman Elliott LLP, Canadian counsel for the Issuers and the Guarantors, shall have furnished to the Representative, at the request of the Issuers, its written opinions, dated the Closing Date and addressed to the Initial Purchasers, in form and substance reasonably satisfactory to the Initial Purchasers and (iii) Greenberg Traurig, P.A., Florida counsel for the Guarantors, shall have furnished to the Representative, at the request of the Issuers, its written opinion, dated the Closing Date and addressed to the Initial Purchasers, in form and substance reasonably satisfactory to the Initial Purchasers.

(g) *Opinion and 10b-5 Statement of Counsel for the Initial Purchasers.* The Representative shall have received on and as of the Closing Date (x) an opinion and 10b-5 statement of Cahill Gordon & Reindel llp, counsel for the Initial Purchasers, and (y) an opinion of Blake, Cassels & Graydon LLP, Canadian counsel for the Initial Purchasers, in each case with respect to such matters as the Representative may reasonably request, and such counsel shall have received such documents and information as they may reasonably request to enable them to pass upon such matters.

(h) *No Legal Impediment to Issuance.* No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any federal, provincial, state or foreign governmental or regulatory authority that would, as of the Closing Date, prevent the issuance or sale of the Securities or the issuance of the Guarantees; and no injunction or order of any federal, provincial, state or foreign court shall have been issued that would, as of the Closing Date, prevent the issuance or sale of the Securities or the issuance of the Guarantees.

(i) *Good Standing.* The Representative shall have received on and as of the Closing Date satisfactory evidence of the existence or good standing of each Issuer and each of the Guarantors in their respective jurisdictions of organization and their good standing in such other jurisdictions as the Representative may reasonably request, in each case in writing or any standard form of telecommunication, from the appropriate governmental authorities of such jurisdictions.

(j) *Indenture and Securities.* The Indenture shall have been duly executed and delivered by a duly authorized officer of each of the Issuers, each of the Guarantors, the Trustee and the Collateral Agent, and the Securities shall have been duly executed and delivered by a duly authorized officer of each Issuer and duly authenticated by the Trustee.

(k) *DTC.* The Securities shall be eligible for clearance and settlement through DTC.

(l) *Collateral Documents.* On the Closing Date, the Initial Purchasers shall have received a counterpart of each Collateral Document (other than the Mortgages and the First Lien Intercreditor Agreement), and First Lien Intercreditor Agreement Joinder No. 2, that shall have been executed and delivered by the applicable parties thereto and each of such documents shall be in full force and effect in accordance with their terms.

(m) *Security Filings.* On the Closing Date, except as otherwise contemplated by the Collateral Documents (other than the Mortgages and as otherwise permitted by Schedule 3 hereto), each document (including any Uniform Commercial Code financing statement or equivalent filing in the provinces of British Columbia, Ontario and Quebec) required by the Collateral Documents (other than the Mortgages), or under law or reasonably requested by the Representative, in each case, to be filed, registered or recorded, or delivered for filing on or prior to the Closing Date, including filings in the U.S. Patent and Trademark Office and the U.S. Copyright Office in order to create in favor of the Collateral Agent, for the benefit of the Secured Parties, a perfected first-priority lien (subject to Permitted Liens) and security interest in the Collateral that can be perfected by the making of such filings, registrations or recordations, prior and superior to the right of any other person (other than Permitted Liens), shall be executed and in proper form for filing, registration or recordation. All Canadian intellectual property security agreements required to be filed pursuant to the Canadian Security Agreement shall be executed and in proper form for filing, registration or recordation and the Initial Purchasers shall have received counterparts thereof on the Closing Date.

(n) *Refinancing.* The Issuer (or its direct or indirect parent) has delivered notice of redemption to the existing noteholders of the 2022 First Lien Notes in accordance with the terms of the indenture governing the 2022 First Lien Notes.

(o) *Additional Documents.* On or prior to the Closing Date, the Issuers and the Guarantors shall have furnished to the Representative such further certificates and documents as the Representative may reasonably request.

All opinions, letters, certificates and evidence mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Initial Purchasers.

7. Indemnification and Contribution. (a) *Indemnification of the Initial Purchasers.* Each of the Issuers and each of the Guarantors jointly and severally agrees to indemnify and hold harmless each Initial Purchaser, its affiliates, directors and officers and each person, if any, who controls such Initial Purchaser within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, reasonable legal fees and other expenses incurred in connection with any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred), joint or several, that arise out of, or are based upon, any Misrepresentation or alleged Misrepresentation contained in the Preliminary Offering Memorandum, any of the other Time of Sale Information, any Issuer Written Communication or the Offering Memorandum (or any amendment or supplement thereto) or any omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, in each case except insofar as such losses, claims, damages or liabilities arise out of, or are based upon, a Misrepresentation or alleged Misrepresentation made in reliance upon and in conformity with any information relating to any Initial Purchaser furnished to the Issuers in writing by such Initial Purchaser through the Representative expressly for use therein.

(b) *Indemnification of the Issuers and the Guarantors.* Each Initial Purchaser agrees, severally and not jointly, to indemnify and hold harmless each Issuer, each of the Guarantors, their respective directors and officers and each person who controls each Issuer or any of the Guarantors within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the indemnity set forth in paragraph (a)

above, but only with respect to any losses, claims, damages or liabilities that arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to such Initial Purchaser furnished to the Issuers in writing by such Initial Purchaser through the Representative expressly for use in the Preliminary Offering Memorandum, any of the other Time of Sale Information, any Issuer Written Communication or the Offering Memorandum (or any amendment or supplement thereto), it being understood and agreed that the only such information consists of the following: the fourth paragraph, the third and fourth sentence of the seventh paragraph and the ninth paragraph, in each case, found under the heading "Plan of distribution."

(c) *Notice and Procedures.* If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any person in respect of which indemnification may be sought pursuant to either paragraph (a) or (b) above, such person (the "Indemnified Person") shall promptly notify the person against whom such indemnification may be sought (the "Indemnifying Person") in writing; provided that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have under paragraph (a) or (b) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided, further, that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have to an Indemnified Person otherwise than under paragraph (a) or (b) above. If any such proceeding shall be brought or asserted against an Indemnified Person and it shall have notified the Indemnifying Person thereof, the Indemnifying Person shall retain counsel reasonably satisfactory to the Indemnified Person (who shall not, without the consent of the Indemnified Person, be counsel to the Indemnifying Person) to represent the Indemnified Person and any others entitled to indemnification pursuant to this Section 7 that the Indemnifying Person may designate in such proceeding and shall pay the reasonable fees and expenses of such proceeding and shall pay the fees and expenses of such counsel related to such proceeding, as incurred. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the Indemnifying Person and the Indemnified Person shall have mutually agreed to the contrary; (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person; (iii) the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the Indemnifying Person; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the Indemnifying Person and the Indemnified Person and the Indemnified Person shall have reasonably concluded that representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood and agreed that the Indemnifying Person shall not, in connection with any proceeding or related proceeding in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Persons, and that all such fees and expenses shall be reimbursed as they are incurred. Any such separate firm for any Initial Purchaser, its affiliates, directors and officers and any control persons of such Initial Purchaser shall be designated in writing by Morgan Stanley & Co. LLC and any such separate firm for the Issuers, the Guarantors, their respective directors and officers and any control persons of the Issuers and the Guarantors shall be designated in writing by the Issuers. The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Person agrees to indemnify each Indemnified Person from and against any loss or liability by reason of such settlement or judgment. No Indemnifying Person shall, without the written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnification could have been sought hereunder by such Indemnified Person, unless such settlement (x) includes an unconditional release of such Indemnified Person, in form and substance reasonably satisfactory to such Indemnified Person, from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person.

(d) *Contribution.* If the indemnification provided for in paragraphs (a) and (b) above is unavailable to an Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or

liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Issuers and the Guarantors on the one hand and the Initial Purchasers on the other from the offering of the Securities or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Issuers and the Guarantors on the one hand and the Initial Purchasers on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Issuers and the Guarantors on the one hand and the Initial Purchasers on the other shall be deemed to be in the same respective proportions as the net proceeds (before deducting expenses) received by the Issuers from the sale of the Securities and the total discounts and commissions received by the Initial Purchasers in connection therewith, as provided in this Agreement, bear to the aggregate offering price of the Securities. The relative fault of the Issuers and the Guarantors on the one hand and the Initial Purchasers on the other shall be determined by reference to, among other things, whether the Misrepresentation or alleged Misrepresentation relates to information supplied by any Issuer or any Guarantor or by the Initial Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. For the avoidance of doubt, until the Issuers, the Guarantors or their respective directors, officers and control persons are entitled to indemnification from the Initial Purchasers under Section 7(b) above, they are not entitled to contribution under this Section 7(d).

(e) *Limitation on Liability.* The Issuers, the Guarantors and the Initial Purchasers agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Person in connection with any such action or claim. Notwithstanding the provisions of this Section 7, in no event shall an Initial Purchaser be required to contribute any amount in excess of the amount by which the total discounts and commissions received by such Initial Purchaser with respect to the offering of the Securities exceeds the amount of any damages that such Initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Initial Purchasers' obligations to contribute pursuant to this Section 7 are several in proportion to their respective purchase obligations hereunder and not joint.

(f) *Non-Exclusive Remedies.* The remedies provided for in this Section 7 are not exclusive and shall not limit any rights or remedies that may otherwise be available to any Indemnified Person at law or in equity.

8. Termination. This Agreement may be terminated in the absolute discretion of the Representative, by notice to the Issuers, if after the execution and delivery of this Agreement and on or prior to the Closing Date (i) trading generally shall have been suspended or materially limited on the New York Stock Exchange or the over-the-counter market; (ii) trading of any securities issued or guaranteed by Parent, the Partnership, any Issuer or any of the Guarantors shall have been suspended on any exchange or in any over-the-counter market; (iii) a general moratorium on commercial banking activities shall have been declared by federal or New York State authorities; or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis, either within or outside the United States, that, in the judgment of the Representative is material and adverse and makes it impracticable or inadvisable to proceed with the offering, sale or delivery, of the Securities on the terms and in the manner contemplated by this Agreement, the Time of Sale Information and the Offering Memorandum.

9. Defaulting Initial Purchaser. (a) If, on the Closing Date, any Initial Purchaser defaults on its obligation to purchase the Securities that it has agreed to purchase hereunder, the non-defaulting Initial Purchasers may in their discretion arrange for the purchase of such Securities by other persons satisfactory to the Issuers on the terms contained in this Agreement. If, within 36 hours after any such default by any Initial Purchaser, the non-defaulting Initial Purchasers do not arrange for the purchase of such Securities, then the Issuers shall be entitled to a

further period of 36 hours within which to procure other persons satisfactory to the non-defaulting Initial Purchasers to purchase such Securities on such terms. If other persons become obligated or agree to purchase the Securities of a defaulting Initial Purchaser, either the non-defaulting Initial Purchasers or the Issuers may postpone the Closing Date for up to five full business days in order to effect any changes that in the opinion of counsel for the Issuers or counsel for the Initial Purchasers may be necessary in the Time of Sale Information, the Offering Memorandum or in any other document or arrangement, and the Issuers agree to promptly prepare any amendment or supplement to the Time of Sale Information or the Offering Memorandum that effects any such changes. As used in this Agreement, the term "Initial Purchaser" includes, for all purposes of this Agreement unless the context otherwise requires, any person not listed in Schedule 1 hereto that, pursuant to this Section 9, purchases Securities that a defaulting Initial Purchaser agreed but failed to purchase.

(b) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Initial Purchaser or Initial Purchasers by the non-defaulting Initial Purchasers and the Issuers as provided in paragraph (a) above, the aggregate principal amount of such Securities that remains unpurchased does not exceed one-eleventh of the aggregate principal amount of all the Securities, then the Issuers shall have the right to require each non-defaulting Initial Purchaser to purchase the principal amount of Securities that such Initial Purchaser agreed to purchase hereunder plus such Initial Purchaser's pro rata share (based on the principal amount of Securities that such Initial Purchaser agreed to purchase hereunder) of the Securities of such defaulting Initial Purchaser or Initial Purchasers for which such arrangements have not been made.

(c) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Initial Purchaser or Initial Purchasers by the non-defaulting Initial Purchasers and the Issuers as provided in paragraph (a) above, the aggregate principal amount of such Securities that remains unpurchased exceeds one-eleventh of the aggregate principal amount of all the Securities, or if the Issuers shall not exercise the right described in paragraph (b) above, then this Agreement shall terminate without liability on the part of the non-defaulting Initial Purchasers. Any termination of this Agreement pursuant to this Section 9 shall be without liability on the part of the Issuers or the Guarantors, except that each Issuer and each of the Guarantors will continue to be jointly and severally liable for the payment of expenses as set forth in Section 10 hereof and except that the provisions of Section 7 hereof shall not terminate and shall remain in effect.

(d) Nothing contained herein shall relieve a defaulting Initial Purchaser of any liability it may have to the Issuers, the Guarantors or any non-defaulting Initial Purchaser for damages caused by its default.

10. Payment of Expenses. (a) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, each Issuer and each of the Guarantors jointly and severally agrees to pay or cause to be paid all costs and expenses incident to the performance of their respective obligations hereunder (including any goods and services, harmonized sales, sales, transfer, stamp, excise and other similar taxes payable in connection therewith), including without limitation, (i) the costs incident to the authorization, issuance, sale, preparation and delivery of the Securities; (ii) the costs incident to the preparation and printing of the Preliminary Offering Memorandum, any other Time of Sale Information, any Issuer Written Communication and the Offering Memorandum (including any amendment or supplement thereto) and the distribution thereof; (iii) the costs of reproducing and distributing each of the Transaction Documents; (iv) the fees and expenses of the Issuers' and the Guarantors' counsel and independent accountants; (v) the fees and expenses incurred in connection with the registration or qualification and determination of eligibility for investment of the Securities under the laws of such jurisdictions as the Representative may designate and the preparation, printing and distribution of a "blue sky" memorandum (including the related fees and expenses of counsel for the Initial Purchasers); (vi) any fees charged by rating agencies for rating the Securities; (vii) the fees and expenses of the Trustee, the Collateral Agent and any paying agent (including related fees and expenses of any counsel to such parties); (viii) all expenses and fees incurred in connection with the approval of the Securities for book-entry transfer by DTC; (ix) all expenses incurred by the Issuers in connection with any "road show" presentation to potential investors; and (x) the fees and expenses incurred in connection with creating, documenting and perfecting the security interests in the Collateral as contemplated by the Collateral Documents (including the reasonable related fees and expenses of counsel for the Initial Purchasers for all periods prior to and after the Closing Date).

(b) If (i) this Agreement is terminated pursuant to Section 8, (ii) the Issuers for any reason fail to tender the Securities for delivery to the Initial Purchasers or (iii) the Initial Purchasers decline to purchase the Securities for any reason permitted under this Agreement, each Issuer and each of the Guarantors jointly and severally agrees to reimburse the Initial Purchasers for all out-of-pocket costs and expenses (including the fees and expenses of their counsel) reasonably incurred by the Initial Purchasers in connection with this Agreement and the offering contemplated hereby.

11. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and any controlling persons referred to herein, and the affiliates, officers and directors of each Initial Purchaser referred to in Section 7 hereof. Nothing in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein. No purchaser of Securities from any Initial Purchaser shall be deemed to be a successor merely by reason of such purchase.

12. Survival. The respective indemnities, rights of contribution, representations, warranties and agreements of the Issuers, the Guarantors and the Initial Purchasers contained in this Agreement or made by or on behalf of the Issuers, the Guarantors or the Initial Purchasers pursuant to this Agreement or any certificate delivered pursuant hereto shall survive the delivery of and payment for the Securities and shall remain in full force and effect, regardless of any subsequent disposition by the Initial Purchasers of the Securities, any termination of this Agreement or any investigation made by or on behalf of the Issuers, the Guarantors or the Initial Purchasers.

13. Certain Defined Terms. For purposes of this Agreement, (a) except where otherwise expressly provided, the term “affiliate” has the meaning set forth in Rule 405 under the Securities Act; (b) the term “business day” means any day other than a day on which banks are permitted or required to be closed in New York City; (c) the term “subsidiary” has the meaning set forth in Rule 405 under the Securities Act; (d) the term “Exchange Act” means the Securities Exchange Act of 1934, as amended; and (e) the term “written communication” has the meaning set forth in Rule 405 under the Securities Act.

14. Compliance with USA Patriot Act. In accordance with the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Initial Purchasers are required to obtain, verify and record information that identifies their respective clients, including the Issuers and the Guarantors, which information may include the name and address of their respective clients, as well as other information that will allow the Initial Purchasers to properly identify their respective clients.

15. Recognition of the U.S. Special Resolution Regimes. (a) In the event that any Initial Purchaser that is a Covered Entity (as defined below) becomes subject to a proceeding under a U.S. Special Resolution Regime (as defined below), the transfer from such Initial Purchaser of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that any Initial Purchaser that is a Covered Entity or a BHC Act Affiliate (as defined below) of such Initial Purchaser becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights (as defined below) under this Agreement that may be exercised against such Initial Purchaser are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

(c) For purposes of this Section 15, (i) the term “BHC Act Affiliate” has the meaning assigned to the term “affiliate” in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k); (ii) “Covered Entity” means any of the following: (x) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b), (y) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b), or a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b); (iii) “Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81,

47.2 or 382.1, as applicable; and (iv) “U.S. Special Resolution Regime” means each of (x) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (y) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

16. Miscellaneous. (a) *Authority of the Representative.* Any action by the Initial Purchasers hereunder may be taken by Morgan Stanley & Co. LLC on behalf of the Initial Purchasers, and any such action taken by Morgan Stanley & Co. LLC shall be binding upon the Initial Purchasers.

(b) *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted and confirmed by any standard form of telecommunication. Notices to the Initial Purchasers shall be given to the Representative c/o Morgan Stanley & Co. LLC , 1585 Broadway, New York, New York 10036 (Attention: High Yield Syndicate Desk). Notices to the Issuers and the Guarantors shall be given to them at 1011778 B.C. Unlimited Liability Company, c/o Restaurant Brands International, 130 King Street West, Suite 300, Toronto, Ontario, Canada M5X 1E1, Attention: Jill Granat. A copy of any notice sent to the Issuers shall also be sent to: Kirkland & Ellis LLP, 601 Lexington Avenue, New York, NY 10022, (fax: (212) 446-4900), Attn: Joshua N. Korff and Michael Kim.

(c) *Governing Law.* This Agreement and any claim, controversy or dispute arising under or related to this Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(d) *Waiver of Jury Trial.* The Issuers, the Guarantors and each of the Initial Purchasers hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

(e) *Consent to Jurisdiction.* The Issuers and each of the Guarantors hereby submit to the non-exclusive jurisdiction of any U.S. federal or state court located in the Borough of Manhattan, the City and County of New York in any action, suit or proceeding arising out of or relating to or based upon this Agreement or any of the transactions contemplated hereby, and the Issuers and each of the Guarantors irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding in any such court arising out of or relating to this Agreement or the transactions contemplated hereby and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding has been brought in an inconvenient forum. The Company and each Guarantor domiciled in Canada hereby appoints the Corporation Service Company, 1180 Avenue of the Americas, Suite 210, New York, NY 10036-8401, as its authorized agent (the “Authorized Agent”) upon whom process may be served in any suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated herein that may be instituted in any state or U.S. federal court in The City of New York and County of New York, by any Initial Purchaser, the directors, officers, employees, affiliates and agents of any Initial Purchaser, or by any person who controls any Initial Purchaser, and expressly accepts the non-exclusive jurisdiction of any such court in respect of any such suit, action or proceeding. The Company and each Guarantor domiciled in Canada hereby represents and warrants that the Authorized Agent has accepted such appointment and has agreed to act as said agent for service of process, and the Company and each Guarantor domiciled in Canada agrees to take any and all action, including the filing of any and all documents that may be necessary to continue such appointment in full force and effect as aforesaid. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Company and each Guarantor domiciled in Canada.

(f) *Waiver of Immunity.* To the extent that the Issuers or any Guarantor has or hereafter may acquire any immunity (sovereign or otherwise) from jurisdiction of any court of (i) Canada, or any political subdivision thereof, (ii) the United States or the State of New York, (iii) any jurisdiction in which it owns or leases property or assets or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution, set-off or otherwise) with respect to themselves or their respective property and assets or this Agreement, the Issuers and each Guarantor hereby irrevocably waive such immunity in respect of its obligations under this Agreement to the fullest extent permitted by applicable law.

(g) *Judgment Currency.* Each of the Issuers and each Guarantor jointly and severally agrees to indemnify each Initial Purchaser, its directors, officers, affiliates and each person, if any, who controls such Initial

Purchaser within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, against any loss incurred by such Initial Purchaser as a result of any judgment or order being given or made for any amount due hereunder and such judgment or order being expressed and paid in a currency (the “judgment currency”) other than U.S. dollars and as a result of any variation as between (i) the rate of exchange at which the U.S. dollar amount is converted into the judgment currency for the purpose of such judgment or order, and (ii) the rate of exchange at which such indemnified person is able to purchase U.S. dollars with the amount of the judgment currency actually received by the indemnified person. The foregoing indemnity shall constitute a separate and independent obligation of each of the Issuers and each Guarantor and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term “rate of exchange” shall include any premiums and costs of exchange payable in connection with the purchase of, or conversion into, the relevant currency.

(h) *Counterparts.* This Agreement may be signed in counterparts (which may include counterparts delivered by any standard form of telecommunication), each of which shall be an original and all of which together shall constitute one and the same instrument.

(i) *Amendments or Waivers.* No amendment or waiver of any provision of this Agreement, nor any consent or approval to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto.

(j) *Headings.* The headings herein are included for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

[Remainder of page intentionally left blank]

ORANGE GROUP, INC.

By: /s/ Jill Granat

Name: Jill Granat

Title: Secretary

**1112090 B.C. UNLIMITED LIABILITY COMPANY
1112097 B.C. UNLIMITED LIABILITY COMPANY
1112100 B.C. UNLIMITED LIABILITY COMPANY
1112104 B.C. UNLIMITED LIABILITY COMPANY
1112106 B.C. UNLIMITED LIABILITY COMPANY**

By: /s/ Jill Granat

Name: Jill Granat

Title: Secretary

Accepted on the date first written above:

MORGAN STANLEY & CO. LLC

For itself and on behalf of the several
Initial Purchasers listed in Schedule 1 hereto.

By: /s/ Ethan Plater
Name: Ethan Plater
Title: Authorized Signatory

Schedule 1

<u>Initial Purchaser</u>		<u>Principal Amount</u>
Morgan Stanley & Co. LLC	\$	93,750,000
J.P. Morgan Securities LLC		65,625,000
Wells Fargo Securities, LLC		65,625,000
RBC Capital Markets, LLC		56,250,000
Barclays Capital Inc.		56,250,000
BofA Securities, Inc.		39,843,750
Rabo Securities USA, Inc.		39,843,750
HSBC Securities (USA) Inc.		39,843,750
MUFG Securities Americas Inc.		39,843,750
BMO Capital Markets Corp.		39,843,750
Goldman Sachs & Co. LLC		30,468,750
Fifth Third Securities, Inc.		30,468,750
BNP Paribas Securities Corp.		30,468,750
Citigroup Global Markets Inc.		30,468,750
Scotia Capital (USA) Inc.		30,468,750
SunTrust Robinson Humphrey, Inc.		30,468,750
Capital One Securities, Inc.		30,468,750
Total	\$	750,000,000

Schedule 2

Guarantors

1. BK Whopper Bar, LLC, a Florida limited liability company
2. BK Acquisition, Inc., a Delaware corporation
3. Orange Intermediate, LLC, a Delaware limited liability company
4. Orange Group, Inc., a Delaware corporation
5. LLCxox, LLC, a Delaware limited liability company
6. Blue Holdco 1, LLC, a Delaware limited liability company
7. Blue Holdco 2, LLC, a Delaware limited liability company
8. Blue Holdco 3, LLC, a Delaware limited liability company
9. SBFDF Holding Co., a Delaware corporation
10. Tim Hortons USA Inc., a Florida corporation
11. Tim Hortons (New England), Inc., a Delaware corporation
12. Burger King Worldwide, Inc., a Delaware corporation
13. Burger King Capital Finance, Inc., a Delaware corporation
14. Burger King Holdings, Inc., a Delaware corporation
15. Blue Holdco 440, LLC, a Delaware limited liability company
16. Tim Donut U.S. Limited, Inc., a Florida corporation
17. Burger King Corporation, a Florida corporation
18. Burger King Interamerica, LLC, a Florida limited liability company
19. 1014369 B.C. Unlimited Liability Company, a British Columbia unlimited liability company
20. 1019334 B.C. Unlimited Liability Company, a British Columbia unlimited liability company
21. Grange Castle Holdings Limited, a Canada corporation
22. GPAir Limited, an Ontario corporation
23. The TDL Group Corp./Groupe TDL Corporation, a British Columbia limited company
24. Burger King Canada Holdings Inc./Placements Burger King Canada Inc., an Ontario corporation
25. 1024670 B.C. Unlimited Liability Company, a British Columbia unlimited liability company
26. 1028539 B.C. Unlimited Liability Company, a British Columbia unlimited liability company
27. 1029261 B.C. Unlimited Liability Company, a British Columbia unlimited liability company
28. 1057837 B.C. Unlimited Liability Company, a British Columbia unlimited liability company
29. 1057772 B.C. Unlimited Liability Company, a British Columbia unlimited liability company
30. 1057639 B.C. Unlimited Liability Company, a British Columbia unlimited liability company
31. TDLdd Holdings ULC, a British Columbia unlimited liability company
32. TDLrr Holdings ULC, a British Columbia unlimited liability company
33. BK Canada Service ULC, a British Columbia unlimited liability company
34. Restaurant Brands Holdings Corporation, an Ontario corporation
35. Tim Hortons Canadian IP Holdings Corporation, an Ontario corporation
36. Restaurant Brands International US Services LLC, a Florida limited liability company
37. PLK Enterprises of Canada, Inc., a British Columbia corporation
38. Popeyes Louisiana Kitchen, Inc., a Minnesota corporation
39. 1112097 B.C. Unlimited Liability Company, a British Columbia unlimited liability company
40. 1112104 B.C. Unlimited Liability Company, a British Columbia unlimited liability company
41. 1112106 B.C. Unlimited Liability Company, a British Columbia unlimited liability company
42. 1112090 B.C. Unlimited Liability Company, a British Columbia unlimited liability company
43. 1112100 B.C. Unlimited Liability Company, a British Columbia unlimited liability company
44. BC12sub- Orange Holdings ULC, a British Columbia unlimited liability company
45. SBFDF Subco ULC, a British Columbia unlimited liability company
46. LAX Holdings ULC, a British Columbia unlimited liability company
47. Orange Group International, Inc., an Ontario corporation
48. Blue Holdco aka8, llc, a Delaware limited liability company
49. Blue Holdco aka7, llc, a Delaware limited liability company

50. BCP-Sub, LLC, a Delaware limited liability company
51. SBFD, LLC, a Delaware limited liability company
52. SBFD Beta, LLC, a Delaware limited liability company
53. RB Timbit Holdings ULC, a British Columbia unlimited liability company
54. RB OCS Holdings ULC, a British Columbia unlimited liability company
55. RB Crispy Chicken Holdings ULC, a British Columbia unlimited liability company
56. PBB Holdings ULC, a British Columbia unlimited liability company
57. ZN1 Holdings ULC, a British Columbia unlimited liability company
58. ZN2 Holdings ULC, a British Columbia unlimited liability company
59. ZN3 Holdings ULC, a British Columbia unlimited liability company
60. ZN4 Holdings ULC, a British Columbia unlimited liability company
61. ZN5 Holdings ULC, a British Columbia unlimited liability company
62. ZN6 Holdings ULC, a British Columbia unlimited liability company
63. ZN7 Holdings ULC, a British Columbia unlimited liability company
64. ZN8 Holdings ULC, a British Columbia unlimited liability company
65. ZN9 Holdings ULC, a British Columbia unlimited liability company
66. ZN19TDL Holdings ULC, a British Columbia unlimited liability company
67. LLC-QZ, LLC, a Delaware limited liability company
68. Société en commandite Tarte 3/ Pie 3 Limited Partnership, a Quebec limited partnership
69. Société en commandite Tarte 4/ Pie 4 Limited Partnership, a Quebec limited partnership
70. Société en commandite P2019/P2019 Limited Partnership, a Quebec limited partnership
71. LLC-K4, LLC, a Delaware limited liability company
72. LLC-QQ, LLC, a Delaware limited liability company
73. 12-2019 Holdings ULC, a British Columbia unlimited liability company
74. 12zz Holdings ULC, a British Columbia unlimited liability company
75. RBHzz Holdings ULC, a British Columbia unlimited liability company
76. Société en commandite BC12/ BC12 Limited Partnership, a Quebec limited partnership
77. 12Kr Holdings ULC, a British Columbia unlimited liability company
78. 12Krr Holdings ULC, a British Columbia unlimited liability company
79. KR1 Holdings ULC, a British Columbia unlimited liability company
80. KR2 Holdings ULC, a British Columbia unlimited liability company
81. KR3 Holdings ULC, a British Columbia unlimited liability company
82. KR4 Holdings ULC, a British Columbia unlimited liability company
83. KR5 Holdings ULC, a British Columbia unlimited liability company
84. KR6 Holdings ULC, a British Columbia unlimited liability company
85. KR7 Holdings ULC, a British Columbia unlimited liability company
86. KR8 Holdings ULC, a British Columbia unlimited liability company
87. KR9 Holdings ULC, a British Columbia unlimited liability company
88. KR19TDL Holdings ULC, a British Columbia unlimited liability company
89. Société en commandite BC12p/ BC12p Limited Partnership, a Quebec limited partnership

Schedule 3

Post-Closing Collateral Requirements

Within 90 days following the Closing Date, the Collateral Agent shall have received each of the following, in each case, in form and substance as shall be reasonably satisfactory to the Collateral Agent and its counsel:

(i) with respect to each Mortgaged Property, a Mortgage granted by the registered and beneficial (if not the same) owner of the applicable Mortgaged Property in favor of the Collateral Agent for its benefit and for the benefit of the Secured Parties encumbering each such party's fee interest in such Mortgaged Property, duly executed and acknowledged by such party in form for registration or recording in the appropriate recording or Land Registry office of the political subdivision where such Mortgaged Property is situated, together with such certificates, affidavits, questionnaires or returns as shall be required in connection with the registration, recording or filing thereof and such financing statements and other similar statements in respect of each such Mortgage, and any other instruments necessary to grant the interests purported to be granted by each such Mortgage (and to register or record such Mortgage in the appropriate recording or Land Registry offices) under the laws of any applicable jurisdiction, which Mortgage, financing statements and other instruments shall be in form and substance substantially similar to the mortgages, financing statements and other instruments delivered to the Credit Facilities Agent under the Senior Secured Credit Facilities and effective to create a valid and enforceable first-priority lien on such Mortgaged Property in favor of the Collateral Agent for the benefit of the Secured Parties, subject to no liens other than Permitted Liens, Permitted Exceptions, and the Enforceability Exceptions;

(ii) with respect to each Mortgage encumbering any Mortgaged Property, a policy of title insurance (or irrevocable commitment to issue such a policy) insuring (or irrevocably committing to insure) the lien of such Mortgage as a valid and enforceable first-priority mortgage or mortgage deed lien, as applicable, on the real property and fixtures described therein, in favor of the Collateral Agent for the benefit of the Secured Parties, securing the obligations of the Issuers and the Guarantors under the Indenture, the Securities and the Collateral Documents, in an amount equal to the proportionate amount allocated to such Mortgaged Property in connection with the mortgagee's policy of title insurance covering the mortgage lien securing the obligations under the Senior Secured Credit Facilities and which policy (or irrevocable commitment) shall (a) be issued by a title insurance company reasonably acceptable to the Collateral Agent (the "Title Company"), (b) be in form and substance substantially similar to the applicable mortgaged policy delivered to the Credit Facilities Agent under the Senior Secured Credit Facilities and (d) contain no defects, liens or encumbrances other than Permitted Liens, Permitted Exceptions, and the Enforceability Exceptions (individually, a "Mortgaged Policy," and, collectively, "Mortgaged Policies");

(iii) with respect to each Mortgaged Property, (a) a survey of the Mortgaged Property certified by the surveyor (in a manner reasonably acceptable to the Collateral Agent) to the Collateral Agent and the Title Company or (b) an existing survey with an "affidavit of no change" satisfactory to the Title Company in order to obtain survey coverage under the applicable Mortgaged Policy, in each case, in form and substance substantially similar to the applicable survey delivered to the Credit Facilities Agent under the Senior Secured Credit Facilities;

(iv) policies or certificates of insurance covering the Mortgaged Properties, and any other assets of the Issuers and the Guarantors as required by the Indenture and the Collateral Documents, which policies or certificates name the Collateral Agent, for the benefit of the Secured Parties, as additional insured and loss payee and mortgagee, as applicable and appropriate, and shall otherwise be in form and substance substantially similar to the policies or certificates of insurance delivered to the Credit Facilities Agent under the Senior Secured Credit Facilities;

(v) such affidavits, certificates and instruments of indemnification and other items (including a so-called "gap" indemnification) as shall be reasonably required to induce the Title Company to issue the Mortgaged Policies with respect to each Mortgaged Property, provided that such affidavits, certificates and instruments of indemnification and other items shall be in form and substance substantially similar to those delivered to the Credit Facilities Agent under the Senior Secured Credit Facilities;

(vi) checks or wire transfers to the Title Company in respect of amounts in payment of required recording cost and taxes due in respect of the execution, delivery or recording of the Mortgages, fixture filings and related documents, together with a check or wire transfer for the Title Company in payment of its premium, search and examination charges, applicable survey costs and any other amounts then due in connection with the issuance of the Mortgaged Policies;

(vii) with respect to each Mortgaged Property, opinions, addressed to the Collateral Agent and the Trustee regarding the due execution and delivery and enforceability of each such Mortgage, the corporate formation, existence and good standing of the applicable mortgagor, and such other matters as may be reasonably requested by the Collateral Agent, each in form and substance reasonably satisfactory to the Collateral Agent, provided that such opinions shall be in form and substance substantially similar to the opinions delivered to the Credit Facilities Agent under the Senior Secured Credit Facilities;

(viii) such further information, certificates and documents evidencing or relating to the Collateral or required to effect the foregoing as the Collateral Agent may reasonably request including, without limitation, such information, certificates and documents substantially similar in form and substance to those delivered to the Credit Facilities Agent under the Senior Secured Credit Facilities.

Notwithstanding anything herein to the contrary, it is understood that, to the extent any security interest in any Collateral is not or cannot be provided and/or perfected on the Closing Date (other than the pledge and perfection of the security interest in the equity interests of the Issuers and each of its direct wholly owned domestic restricted subsidiaries and other assets pursuant to which a lien may be perfected by the filing of a financing statement under the Uniform Commercial Code, the *Personal Property Security Act* (Ontario) or the equivalent legislation in any other jurisdiction of Canada in which the Collateral is situated) after your use of commercially reasonable efforts to do so or without undue burden or expense, then the provision and/or perfection of a security interest in such Collateral shall be required to be delivered as soon as is reasonably practicable after the Closing Date. Annex A-1

Additional Time of Sale Information

1. Pricing term sheet containing the terms of the Securities, substantially in the form of Annex B.

Pricing Term Sheet



The logo for Tim Hortons, featuring the brand name in a red, cursive script font.



**1011778 B.C. Unlimited Liability Company and New Red Finance, Inc.
\$750,000,000 3.875% First Lien Senior Secured Notes due 2028**

Pricing term sheet dated September 6, 2019 to Preliminary Offering Memorandum dated September 6, 2019
(the "Preliminary Offering Memorandum") of 1011778 B.C. Unlimited Liability Company and New Red
Finance, Inc. (the "Issuers").

This pricing term sheet is qualified in its entirety by reference to the Preliminary Offering Memorandum. The information in this pricing term sheet supplements the Preliminary Offering Memorandum and supersedes the information in the Preliminary Offering Memorandum to the extent it is inconsistent with the information in the Preliminary Offering Memorandum. **Other information (including financial information) presented in the Preliminary Offering Memorandum is deemed to have changed to the extent affected by the changes described herein.** Terms used and not defined herein have the meanings assigned in the Preliminary Offering Memorandum.

The notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction and are being offered only (1) to persons reasonably believed to be "qualified institutional buyers" as defined in Rule 144A under the Securities Act and (2) outside the United States in compliance with Regulation S under the Securities Act.

Change in Size of Offering

The aggregate principal amount of notes to be issued in the offering increased from \$500,000,000 to \$750,000,000 which reflects an increase of \$250,000,000 from the aggregate principal amount of notes set forth on the cover page of the Preliminary Offering Memorandum. The net proceeds resulting from the increased amount will be used to repay certain outstanding indebtedness, and to pay related fees and expenses.

Terms Applicable to the Notes

Issuers:	1011778 B.C. Unlimited Liability Company and New Red Finance, Inc.
Securities Description:	3.875% First Lien Senior Secured Notes due 2028
Distribution:	144A/Regulation S without registration rights

Aggregate Principal Amount: \$750,000,000, which represents an increase of \$250,000,000 from the offering size in the Preliminary Offering Memorandum

Gross Proceeds: \$750,000,000

Maturity: January 15, 2028

Coupon: 3.875%

Issue Price: 100.000% plus accrued interest, if any, from September 24, 2019

Yield to Maturity: 3.875%

Spread to Treasury: +235 bps

Benchmark: UST 2.75% due February 15, 2028

Interest Payment Dates: March 15 and September 15, commencing March 15, 2020

Equity Clawback: Up to 40% at 103.875% prior to September 15, 2022

Optional Redemption: Make-whole call @ T+50 basis points prior to September 15, 2022 then on or after September 15 of the years set forth below:

<u>Year</u>	<u>Percentage</u>
2022	101.938.%
2023	100.969.%
2024 and thereafter	100.000%

Change of Control: Putable at 101% of principal plus accrued and unpaid interest

Trade Date: September 6, 2019

Settlement: We expect that the notes will be delivered to investors in bookentry form through The Depository Trust Company on or about September 24, 2019, which will be twelve (12) business days following the date of pricing of the notes (this settlement cycle is being referred to as “T + 12”). Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date hereof or on the next nine succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to make such trades should consult their own advisors.

CUSIP: 144A: 68245X AH2
Reg S: C6900P AF6

ISIN: 144A: US68245XAH26
Reg S: USC6900PAF65

Denominations/Multiple: 2,000 x 1,000

Ratings*: Ba2 / BB

Joint Booking-Running Managers:

Morgan Stanley & Co. LLC
J.P. Morgan Securities LLC
Wells Fargo Securities, LLC
RBC Capital Markets, LLC
Barclays Capital Inc.

Co-Managers:

BofA Securities, Inc.
Rabo Securities USA, Inc.
HSBC Securities (USA) Inc.
MUFG Securities Americas Inc.
BMO Capital Markets Corp.
Goldman Sachs & Co. LLC
Fifth Third Securities, Inc.
BNP Paribas Securities Corp.
Citigroup Global Markets Inc.
Scotia Capital (USA) Inc.
SunTrust Robinson Humphrey, Inc.
Capital One Securities, Inc.

Changes to the Preliminary Offering Memorandum:

Clause (6) on page 160 of the Preliminary Offering Memorandum is hereby deleted and replaced in its entirety with “(6) [reserved].”

The second sentence under the heading titled “Use of Proceeds” is hereby deleted and replaced in its entirety with: “We expect to use the proceeds from the offering of the Notes, together with borrowings under the New Term Loan Facility and cash on hand, to redeem the Issuers’ 2022 First Lien Notes, to repay certain other outstanding indebtedness, and to pay related fees and expenses.”

***A securities rating is not a recommendation to buy, sell or hold securities and should be evaluated independently of any other rating. Each rating is subject to revision or withdrawal at any time by the assigning rating organization.**

This material is confidential and is for your information only and is not intended to be used by anyone other than you. This information does not purport to be a complete description of the notes or the offering. Please refer to the Preliminary Offering Memorandum for a complete description.

This communication is being distributed only to (1) persons reasonably believed to be “qualified institutional buyers” as defined in Rule 144A under the Securities Act and (2) outside the United States in compliance with Regulation S under the Securities Act.

This communication does not constitute an offer to sell the notes and is not a solicitation of an offer to buy the notes in any jurisdiction where the offer or sale is not permitted.

Any disclaimer or other notice that may appear below is not applicable to this communication and should be disregarded. Such disclaimer or notice was automatically generated as a result of this communication being sent by Bloomberg or another email system.

Restrictions on Offers and Sales Outside the United States

In connection with offers and sales of Securities outside the United States:

(a) Each Initial Purchaser acknowledges that the Securities have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Each Initial Purchaser acknowledges that the distribution of the Securities is being made in the Offering Provinces on a private placement basis, exempt from the prospectus requirements of applicable Canadian Securities Laws, and that the Securities have not been and will not be qualified for distribution (or distribution to the public, as applicable) by prospectus under applicable Canadian Securities Laws.

(b) Each Initial Purchaser, severally and not jointly, represents, warrants and agrees that:

(i) Such Initial Purchaser has offered and sold the Securities, and will offer and sell the Securities, (A) as part of their distribution at any time and (B) otherwise until 40 days after the later of the commencement of the offering of the Securities and the Closing Date, only in accordance with Regulation S or Rule 144A or any other available exemption from registration under the Securities Act.

(ii) None of such Initial Purchaser or any of its affiliates or any other person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Securities, and all such persons have complied and will comply with the offering restrictions requirement of Regulation S.

(iii) At or prior to the confirmation of sale of any Securities sold in reliance on Regulation S, such Initial Purchaser will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration that purchases Securities from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Securities and the date of original issuance of the Securities, except in accordance with Regulation S or Rule 144A or any other available exemption from registration under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

(iv) Such Initial Purchaser has not and will not enter into any contractual arrangement with any distributor with respect to the distribution of the Securities, except with its affiliates or with the prior written consent of the Issuers.

Terms used in paragraph (a) and this paragraph (b) and not otherwise defined in this Agreement have the meanings given to them by Regulation S.

(c) Each Initial Purchaser acknowledges that no action has been or will be taken by the Issuers that would permit a public offering of the Securities, or possession or distribution of any of the Time of Sale Information, the Offering Memorandum, any Issuer Written Communication or any other offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required.

(d) Each Initial Purchaser and its respective affiliates severally agrees that it will offer and sell the Securities to Subsequent Purchasers in Canada in compliance with the requirements of applicable Canadian Securities Laws and only make offers and sales of the Securities in Canada in the Offering Provinces and in such a manner that the sale of the Securities will be exempt from the prospectus requirements of applicable Canadian

Securities Laws. For greater certainty, each Initial Purchaser severally agrees that it has not made and will not make an offer of the Securities to any person or company in Canada other than a person or company that is both:

(i) an “accredited investor” within the meaning of NI 45-106 or, in Ontario, as defined in Section 73.3(1) of the *Securities Act* (Ontario) (except, in each case, for the criteria set out in paragraph (j), (k) or (l) of such definition in NI 45-106) that is either purchasing the Securities as principal for its own account, or is deemed to be purchasing the Securities as principal for its own account in accordance with Canadian Securities Laws, and that is entitled under Canadian Securities Laws to purchase such Securities without the benefit of a prospectus qualified under such laws; and

(ii) a “permitted client” as defined in section 1.1 of NI 31-103.

(e) Each Initial Purchaser, severally and not jointly, covenants and agrees that it will provide to the Issuers forthwith upon request all such information regarding each purchaser of Securities from it in Canada, including the paragraph number in the definition of “accredited investor” in Section 1.1 of NI 45-106 that applies to each purchaser, as the Issuer may reasonably request in good faith for the purpose of preparing and filing Schedule 1 to a report of exempt distribution on Form 45-106F1 (“Form 45-106F1”) and filed with all applicable Canadian securities regulators in connection with the issuance and sale of the Securities, provided it is acknowledged and agreed that the Initial Purchasers need not provide any information to the Issuers regarding whether any Canadian purchaser is an insider of the Issuers.

(f) Each Initial Purchaser, severally and not jointly, represents, warrants and agrees that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuers or the Guarantors; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

(g) Each Initial Purchaser severally agrees that it has not offered, sold or otherwise made available to and will not offer, sell or otherwise make available the Notes to any retail investor in the European Economic Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “Prospectus Regulation”).

[\(Back To Top\)](#)

Section 3: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION

I, José E. Cil, 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/ José E. Cil

José E. Cil

Chief Executive Officer

Dated: October 28, 2019

[\(Back To Top\)](#)

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: October 28, 2019

[\(Back To Top\)](#)

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 September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, José E. Cil, 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/ José E. Cil

José E. Cil

Chief Executive Officer

Dated: October 28, 2019

[\(Back To Top\)](#)

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 September 30, 2019 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: October 28, 2019

[\(Back To Top\)](#)