

These financial statements for Restaurant Brands International Inc. are also included in the Form 10-K for the year ended December 31, 2023 filed on SEDAR+ on February 22, 2024 in its entirety. All references to USD or \$ are to United States dollars, and all references to C\$ are to Canadian dollars.

[Table of Contents](#)

Item 8. *Financial Statements and Supplementary Data*

**RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<u>Page</u>
Management’s Report on Internal Control Over Financial Reporting	2
Reports of Independent Registered Public Accounting Firm	3
Consolidated Balance Sheets	6
Consolidated Statements of Operations	7
Consolidated Statements of Comprehensive Income (Loss)	8
Consolidated Statements of Shareholders’ Equity	9
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	11

Management's Report on Internal Control Over Financial Reporting

Management is responsible for the preparation, integrity and fair presentation of the consolidated financial statements, related notes and other information included in this annual report. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and include certain amounts based on management's estimates and assumptions. Other financial information presented in the annual report is derived from the consolidated financial statements.

Management is also responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2023. Internal control over financial reporting is a process designed 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. Our system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2023 based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment and those criteria, management determined that the Company's internal control over financial reporting was effective as of December 31, 2023.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2023 has been audited by KPMG LLP, the Company's independent registered public accounting firm, as stated in its report which is included herein.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Restaurant Brands International Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Restaurant Brands International Inc. and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 22, 2024 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Gross unrecognized tax benefits

As discussed in Notes 2 and 10 to the consolidated financial statements, the Company records a liability for unrecognized tax benefits associated with uncertain tax positions. The Company recognizes tax benefits from tax positions only if there is more than a 50% likelihood that the tax positions will be sustained upon examination by the taxing authorities, based on the technical merits of the positions. As of December 31, 2023, the Company has recorded gross unrecognized tax benefits, excluding associated interest and penalties, of \$58 million.

Table of Contents

We identified the assessment of gross unrecognized tax benefits resulting from certain tax planning strategies implemented during the year as a critical audit matter. Identifying and determining uncertain tax positions arising from implementing tax planning strategies involved a number of judgments and assumptions, which included complex considerations of tax law. As a result, subjective and complex auditor judgment, including the involvement of tax professionals with specialized skills and knowledge, was required to evaluate the Company's interpretation of tax law and its determination of which tax positions have more than a 50% likelihood of being sustained upon examination.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's gross unrecognized tax benefits process, including controls related to 1) interpreting tax law, 2) identifying significant uncertain tax positions arising from tax planning strategies that were implemented during the year, 3) evaluating the tax consequences of the related strategies, and 4) evaluating which of the Company's tax positions may not be sustained upon examination. In addition, we involved tax professionals with specialized skills and knowledge, who assisted in:

- obtaining an understanding of the Company's tax planning strategies
- evaluating the Company's interpretation of the relevant tax laws by developing an independent assessment
- evaluating the Company's identification of uncertain tax positions to assess the tax consequences of these related tax positions
- performing an independent assessment of the Company's tax positions and comparing our assessment to the Company's assessment.

(signed) KPMG LLP

We have served as the Company's auditor since 1989.

Miami, Florida
February 22, 2024

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Restaurant Brands International Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Restaurant Brands International Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements), and our report dated February 22, 2024 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(signed) KPMG LLP

Miami, Florida
February 22, 2024

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Consolidated Statements of Operations

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

	2023	2022	2021
Revenues:			
Sales	\$ 2,950	\$ 2,819	\$ 2,378
Franchise and property revenues	2,903	2,661	2,443
Advertising revenues and other services	1,169	1,025	918
Total revenues	7,022	6,505	5,739
Operating costs and expenses:			
Cost of sales	2,435	2,312	1,890
Franchise and property expenses	512	518	489
Advertising expenses and other services	1,273	1,077	986
General and administrative expenses	704	631	484
(Income) loss from equity method investments	(8)	44	4
Other operating expenses (income), net	55	25	7
Total operating costs and expenses	4,971	4,607	3,860
Income from operations	2,051	1,898	1,879
Interest expense, net	582	533	505
Loss on early extinguishment of debt	16	—	11
Income before income taxes	1,453	1,365	1,363
Income tax (benefit) expense	(265)	(117)	110
Net income	1,718	1,482	1,253
Net income attributable to noncontrolling interests (Note 12)	528	474	415
Net income attributable to common shareholders	\$ 1,190	\$ 1,008	\$ 838
Earnings per common share:			
Basic	\$ 3.82	\$ 3.28	\$ 2.71
Diluted	\$ 3.76	\$ 3.25	\$ 2.69
Weighted average shares outstanding (in millions):			
Basic	312	307	310
Diluted	456	455	464

See accompanying notes to consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(In millions of U.S. dollars)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net income	\$ 1,718	\$ 1,482	\$ 1,253
Foreign currency translation adjustment	250	(703)	(67)
Net change in fair value of net investment hedges, net of tax of \$(22), \$(77), and \$15	(232)	332	111
Net change in fair value of cash flow hedges, net of tax of \$(10), \$(141), and \$(36)	29	382	96
Amounts reclassified to earnings of cash flow hedges, net of tax of \$24, \$(12), and \$(36)	(66)	34	96
Gain (loss) recognized on defined benefit pension plans and other items, net of tax of \$(2), \$(2), and \$(3)	7	6	15
Other comprehensive income (loss)	(12)	51	251
Comprehensive income (loss)	1,706	1,533	1,504
Comprehensive income (loss) attributable to noncontrolling interests	525	490	499
Comprehensive income (loss) attributable to common shareholders	<u>\$ 1,181</u>	<u>\$ 1,043</u>	<u>\$ 1,005</u>

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

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

	Issued Common Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Shares	Amount				
Balances at December 31, 2020	304,718,749	\$ 2,399	\$ 622	\$ (854)	\$ 1,554	\$ 3,721
Stock option exercises	1,594,146	60	—	—	—	60
Share-based compensation	—	88	—	—	—	88
Issuance of shares	1,839,941	12	—	—	—	12
Dividends declared on common shares (\$2.12 per share)	—	—	(658)	—	—	(658)
Dividend equivalents declared on restricted stock units	—	11	(11)	—	—	—
Distributions declared by Partnership on partnership exchangeable units (\$2.12 per unit)	—	—	—	—	(318)	(318)
Repurchase of RBI common shares	(9,247,648)	(551)	—	—	—	(551)
Exchange of Partnership exchangeable units for RBI common shares	10,119,880	137	—	(23)	(114)	—
Restaurant VIE contributions (distributions)	—	—	—	—	(5)	(5)
Net income	—	—	838	—	415	1,253
Other comprehensive income (loss)	—	—	—	167	84	251
Balances at December 31, 2021	309,025,068	\$ 2,156	\$ 791	\$ (710)	\$ 1,616	\$ 3,853
Stock option exercises	483,980	21	—	—	—	21
Share-based compensation	—	121	—	—	—	121
Issuance of shares	1,737,934	43	—	—	—	43
Dividends declared on common shares (\$2.16 per share)	—	—	(664)	—	—	(664)
Dividend equivalents declared on restricted stock units	—	14	(14)	—	—	—
Distributions declared by Partnership on partnership exchangeable units (\$2.16 per unit)	—	—	—	—	(309)	(309)
Repurchase of RBI common shares	(6,101,364)	(326)	—	—	—	(326)
Exchange of Partnership exchangeable units for RBI common shares	1,996,818	28	—	(4)	(24)	—
Restaurant VIE contributions (distributions)	—	—	—	—	(4)	(4)
Net income	—	—	1,008	—	474	1,482
Other comprehensive income (loss)	—	—	—	35	16	51
Balances at December 31, 2022	307,142,436	\$ 2,057	\$ 1,121	\$ (679)	\$ 1,769	\$ 4,268
Stock option exercises	1,260,109	60	—	—	—	60
Share-based compensation	—	177	—	—	—	177
Issuance of shares	2,292,567	15	—	—	—	15
Dividends declared on common shares (\$2.20 per share)	—	—	(691)	—	—	(691)
Dividend equivalents declared on restricted stock units	—	21	(21)	—	—	—
Distributions declared by Partnership on partnership exchangeable units (\$2.20 per unit)	—	—	—	—	(302)	(302)
Repurchase of RBI common shares	(7,639,137)	(500)	—	—	—	(500)
Exchange of Partnership exchangeable units for RBI common shares	9,398,876	143	—	(18)	(125)	—
Restaurant VIE contributions (distributions)	—	—	—	—	(3)	(3)
Net income	—	—	1,190	—	528	1,718
Other comprehensive income (loss)	—	—	—	(9)	(3)	(12)
Balances at December 31, 2023	312,454,851	\$ 1,973	\$ 1,599	\$ (706)	\$ 1,864	\$ 4,730

See accompanying notes to consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In millions of U.S. dollars)

	2023	2022	2021
Cash flows from operating activities:			
Net income	\$ 1,718	\$ 1,482	\$ 1,253
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	191	190	201
Premiums paid and non-cash loss on early extinguishment of debt	5	—	11
Amortization of deferred financing costs and debt issuance discount	27	28	27
(Income) loss from equity method investments	(8)	44	4
Loss (gain) on remeasurement of foreign denominated transactions	20	(4)	(76)
Net (gains) losses on derivatives	(151)	(9)	87
Share-based compensation and non-cash incentive compensation expense	194	136	102
Deferred income taxes	(430)	(60)	(5)
Other	26	19	(16)
Changes in current assets and liabilities, excluding acquisitions and dispositions:			
Accounts and notes receivable	(147)	(110)	8
Inventories and prepaids and other current assets	(43)	(61)	12
Accounts and drafts payable	22	169	149
Other accrued liabilities and gift card liability	9	37	67
Tenant inducements paid to franchisees	(32)	(26)	(20)
Other long-term assets and liabilities	(78)	(345)	(78)
Net cash provided by operating activities	<u>1,323</u>	<u>1,490</u>	<u>1,726</u>
Cash flows from investing activities:			
Payments for property and equipment	(120)	(100)	(106)
Net proceeds from disposal of assets, restaurant closures and refranchisings	37	12	16
Net payment for purchase of Firehouse Subs, net of cash acquired	—	(12)	(1,004)
Settlement/sale of derivatives, net	112	71	5
Other investing activities, net	(18)	(35)	(14)
Net cash provided by (used for) investing activities	<u>11</u>	<u>(64)</u>	<u>(1,103)</u>
Cash flows from financing activities:			
Proceeds from long-term debt	55	2	1,335
Repayments of long-term debt and finance leases	(92)	(94)	(889)
Payment of financing costs	(44)	—	(19)
Payment of dividends on common shares and distributions on Partnership exchangeable units	(990)	(971)	(974)
Repurchase of common shares	(500)	(326)	(551)
Proceeds from stock option exercises	60	21	60
Proceeds from issuance of common shares	—	30	—
Proceeds (payments) from derivatives	141	34	(51)
Other financing activities, net	(4)	(3)	(4)
Net cash used for financing activities	<u>(1,374)</u>	<u>(1,307)</u>	<u>(1,093)</u>
Effect of exchange rates on cash and cash equivalents	1	(28)	(3)
(Decrease) increase in cash and cash equivalents	(39)	91	(473)
Cash and cash equivalents at beginning of period	1,178	1,087	1,560
Cash and cash equivalents at end of period	<u>\$ 1,139</u>	<u>\$ 1,178</u>	<u>\$ 1,087</u>
Supplemental cash flow disclosures:			
Interest paid	\$ 761	\$ 487	\$ 404
Income taxes paid, net	\$ 290	\$ 275	\$ 256

See accompanying notes to consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Description of Business and Organization

Description of Business

Restaurant Brands International Inc. (the “Company,” “RBI,” “we,” “us” or “our”) is a Canadian corporation that serves as the sole general partner of Restaurant Brands International Limited Partnership (the “Partnership”). We franchise and operate quick service restaurants serving premium coffee and other beverage and food products under the *Tim Hortons*® brand (“Tim Hortons”), fast food hamburgers principally under the *Burger King*® brand (“Burger King”), chicken under the *Popeyes*® brand (“Popeyes”) and sandwiches under the *Firehouse Subs*® brand (“Firehouse”). We are one of the world’s largest quick service restaurant, or QSR, companies as measured by total number of restaurants. As of December 31, 2023, we franchised or owned 5,833 Tim Hortons restaurants, 19,384 Burger King restaurants, 4,571 Popeyes restaurants, and 1,282 Firehouse Subs restaurants, for a total of 31,070 restaurants, and operate in more than 120 countries and territories. As of December 31, 2023, nearly all of the 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. Significant Accounting Policies

Fiscal Year

We operate on a monthly calendar, with a fiscal year that ends on December 31.

Basis of Presentation

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) and related rules and regulations of the U.S. Securities and Exchange Commission 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.

Principles of Consolidation

The consolidated financial statements (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. We also consolidate marketing funds we control. 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 generally 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 limited partnership agreement of Partnership (“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, investment 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.

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. In these arrangements, Tim Hortons has the ability to determine which operators manage the restaurants and for what duration. We perform an analysis to determine if the legal entity in which operations are

Table of Contents

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 December 31, 2023 and 2022, we determined that we are the primary beneficiary of 38 and 41 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.

Assets and liabilities related to consolidated VIEs are not significant to our total consolidated assets and liabilities. Liabilities recognized as a result of consolidating these VIEs do not necessarily represent additional claims on our general assets; rather, they represent claims against the specific assets of the consolidated VIEs. Conversely, assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims by our creditors as they are not legally included within our general assets.

Foreign Currency Translation and Transaction Gains and Losses

Our functional currency is the U.S. dollar, since our term loans and senior secured notes are denominated in U.S. dollars, and the principal market for our common shares is the U.S. The functional currency of each of our operating subsidiaries is generally the currency of the economic environment in which the subsidiary primarily does business. Our foreign subsidiaries' financial statements are translated into U.S. dollars using the foreign exchange rates applicable to the dates of the financial statements. Assets and liabilities are translated using the end-of-period spot foreign exchange rates. Income, expenses and cash flows are translated at the average foreign exchange rates for each period. Equity accounts are translated at historical foreign exchange rates. The effects of these translation adjustments are reported as a component of accumulated other comprehensive income (loss) ("AOCI") in the consolidated statements of shareholders' equity.

For any transaction that is denominated in a currency different from the entity's functional currency, we record a gain or loss based on the difference between the foreign exchange rate at the transaction date and the foreign exchange rate at the transaction settlement date (or rate at period end, if unsettled) which is included within other operating expenses (income), net in the consolidated statements of operations.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less and credit card receivables are considered cash equivalents.

Accounts and Notes Receivable, net

Our credit loss exposure is mainly concentrated in our accounts and notes receivable portfolio, which consists primarily of amounts due from franchisees, including royalties, rents, franchise fees, contributions due to advertising funds we manage and, in the case of our TH segment, amounts due for supply chain sales. Accounts and notes receivable are reported net of an allowance for expected credit losses over the estimated life of the receivable. Credit losses are estimated based on aging, historical collection experience, financial position of the franchisee and other factors, including those related to current economic conditions and reasonable and supportable forecasts of future conditions.

Bad debt expense recognized for expected credit losses is classified in our consolidated statement of operations as Cost of sales, Franchise and property expenses or Advertising expenses and other services, based on the nature of the underlying receivable. Net bad debt expense (recoveries) totaled \$20 million in 2023, \$19 million in 2022 and \$(9) million in 2021.

Inventories

Inventories are carried at the lower of cost or net realizable value and consist primarily of raw materials such as green coffee beans and finished goods such as new equipment, parts, paper supplies and restaurant food items. The moving average method is used to determine the cost of raw materials and finished goods inventories held for sale to Tim Hortons franchisees.

Property and Equipment, net

We record property and equipment at historical cost less accumulated depreciation and amortization, which is recognized using the straight-line method over the following estimated useful lives: (i) buildings and improvements – up to 40 years; (ii) restaurant equipment – up to 17 years; (iii) furniture, fixtures and other – up to 10 years; and (iv) manufacturing equipment – up to 25 years. Leasehold improvements to properties where we are the lessee are amortized over the lesser of the remaining term of the lease or the estimated useful life of the improvement.

Major improvements are capitalized, while maintenance and repairs are expensed when incurred.

Table of Contents

Capitalized Software and Cloud Computing Costs

We record capitalized software at historical cost less accumulated amortization, which is recognized using the straight-line method. Amortization expense is based on the estimated useful life of the software, which is primarily up to five years, once the asset is available for its intended use.

Implementation costs incurred in connection with Cloud Computing Arrangements (“CCA”) are capitalized consistently with costs capitalized for internal-use software. Capitalized CCA implementation costs are included in “Other assets” in the consolidated balance sheets and are amortized over the term of the related hosting agreement, including renewal periods that are reasonably certain to be exercised. Amortization expense of CCA implementation costs is classified as “General and administrative expenses” in the consolidated statements of operations.

Leases

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 property revenue.

We also have net investments in properties leased to franchisees, which meet the criteria of sales-type leases or met the criteria of direct financing leases under the previous accounting guidance. Investments in sales-type leases and direct financing leases are recorded on a net basis. Profit on sales-type leases is recognized at lease commencement and recorded in other operating expenses (income), net. Unearned income on direct financing leases is deferred, included in the net investment in the lease, and recognized over the lease term yielding a constant periodic rate of return on the net investment in the lease.

We recognize variable lease payment income 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 a right-of-use (“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. Reductions of the ROU asset and the change in the lease liability are included in changes in Other long-term assets and liabilities in the 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. Operating lease and finance lease 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. Maintenance and property tax expenses are accounted for on an accrual basis as variable lease cost.

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

Goodwill and Intangible Assets Not Subject to Amortization

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed in connection with business combination transactions. Our indefinite-lived intangible assets consist of the *Tim Hortons* brand, the *Burger King* brand, the *Popeyes* brand and the *Firehouse Subs* brand (each a “Brand” and together, the “Brands”). Goodwill and the Brands are tested for impairment at least annually as of October 1 of each year and more often if an event occurs or circumstances change which

Table of Contents

indicate impairment might exist. Our annual impairment tests of goodwill and the Brands may be completed through qualitative assessments. We may elect to bypass the qualitative assessment and proceed directly to a quantitative impairment test for any reporting unit or Brand in any period. We can resume the qualitative assessment for any reporting unit or Brand in any subsequent period.

Under a qualitative approach, our impairment review for goodwill consists of an assessment of whether it is more-likely-than-not that a reporting unit's fair value is less than its carrying amount. If we elect to bypass the qualitative assessment for any reporting unit, or if a qualitative assessment indicates it is more-likely-than-not that the estimated carrying value of a reporting unit exceeds its fair value, we perform a quantitative goodwill impairment test that requires us to estimate the fair value of the reporting unit. If the fair value of the reporting unit is less than its carrying amount, we will measure any goodwill impairment loss as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

Under a qualitative approach, our impairment review for the Brands consists of an assessment of whether it is more-likely-than-not that a Brand's fair value is less than its carrying amount. If we elect to bypass the qualitative assessment for a Brand, or if a qualitative assessment indicates it is more-likely-than-not that the estimated carrying value of a Brand exceeds its fair value, we estimate the fair value of the Brand and compare it to its carrying amount. If the carrying amount exceeds fair value, an impairment loss is recognized in an amount equal to that excess.

We completed our impairment tests for goodwill and the Brands as of October 1, 2023, 2022 and 2021 and no impairment resulted.

Long-Lived Assets

Long-lived assets, such as property and equipment, intangible assets subject to amortization and lease right-of-use assets, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. Some of the events or changes in circumstances that would trigger an impairment review include, but are not limited to, bankruptcy proceedings or other significant financial distress of a lessee; significant negative industry or economic trends; knowledge of transactions involving the sale of similar property at amounts below the carrying value; or our expectation to dispose of long-lived assets before the end of their estimated useful lives. The impairment test for long-lived assets requires us to assess the recoverability of long-lived assets by comparing their net carrying value to the sum of undiscounted estimated future cash flows directly associated with and arising from use and eventual disposition of the assets or asset group. Long-lived assets are grouped for recognition and measurement of impairment at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. If the net carrying value of a group of long-lived assets exceeds the sum of related undiscounted estimated future cash flows, we record an impairment charge equal to the excess, if any, of the net carrying value over fair value.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) ("OCI") refers to revenues, expenses, gains and losses that are included in comprehensive income (loss), but are excluded from net income (loss) as these amounts are recorded directly as an adjustment to shareholders' equity, net of tax. Our other comprehensive income (loss) is primarily comprised of unrealized gains and losses on foreign currency translation adjustments and unrealized gains and losses on hedging activity, net of tax.

Derivative Financial Instruments

We recognize and measure all derivative instruments as either assets or liabilities at fair value in the consolidated balance sheets. Derivative instruments accounted for as net investments hedges are classified as long term assets and liabilities in the consolidated balance sheets. We may enter into derivatives that are not designated as hedging instruments for accounting purposes, but which largely offset the economic impact of certain transactions.

Gains or losses resulting from changes in the fair value of derivatives are recognized in earnings or recorded in other comprehensive income (loss) and recognized in the consolidated statements of operations when the hedged item affects earnings, depending on the purpose of the derivatives and whether they qualify for, and we have applied, hedge accounting treatment.

When applying hedge accounting, we designate at a derivative's inception, the specific assets, liabilities or future commitments being hedged, and assess the hedge's effectiveness at inception and on an ongoing basis. We discontinue hedge accounting when: (i) we determine that the cash flow derivative is no longer effective in offsetting changes in the cash flows of a hedged item; (ii) the derivative expires or is sold, terminated or exercised; (iii) it is no longer probable that the forecasted transaction will occur; or (iv) management determines that designation of the derivatives as a hedge instrument is no longer appropriate. We do not enter into or hold derivatives for speculative purposes.

Table of Contents

Disclosures about Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date (the exit price). The fair value is based on assumptions that market participants would use when pricing the asset or liability. The fair values are assigned a level within the fair value hierarchy, depending on the source of the inputs into the calculation, as follows:

Level 1 Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

The carrying amounts for cash and cash equivalents, accounts and notes receivable and accounts and drafts payable approximate fair value based on the short-term nature of these amounts.

We carry all of our derivatives at fair value and value them using various pricing models or discounted cash flow analysis that incorporate observable market parameters, such as interest rate yield curves and currency rates, which are Level 2 inputs. Derivative valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by the counterparty or us. For disclosures about the fair value measurements of our derivative instruments, see Note 11, *Derivative Instruments*.

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 December 31,	
	2023	2022
Fair value of our variable term debt and senior notes	\$ 12,401	\$ 11,885
Principal carrying amount of our variable term debt and senior notes	\$ 12,900	\$ 12,890

The determination of fair values of our reporting units and the determination of the fair value of the Brands for impairment testing using a quantitative approach during 2023 and 2022 were based upon Level 3 inputs.

Revenue Recognition

Sales

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

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

Franchise and property revenues

Franchise revenues consist primarily of royalties, initial and renewal franchise fees and upfront fees from development agreements and master franchise and development agreements ("MFDAs"). Under franchise agreements, we provide franchisees with (i) a franchise license, which includes a license to use our intellectual property, (ii) pre-opening services, such as training and inspections, and (iii) ongoing services, such as development of training materials and menu items and restaurant monitoring and inspections. These services are highly interrelated and dependent upon the franchise license and we concluded these services do not represent individually distinct performance obligations. Consequently, we bundle the franchise license performance obligation and promises to provide these services into a single performance obligation (the "Franchise PO"), which we satisfy by providing a right to use our intellectual property over the term of each franchise agreement.

Table of Contents

Royalties are calculated as a percentage of franchised restaurant sales over the term of the franchise agreement. Initial and renewal franchise fees are payable by the franchisee upon a new restaurant opening or renewal of an existing franchise agreement. Our franchise agreement royalties represent sales-based royalties that are related entirely to the Franchise PO and are recognized as franchise sales occur. Initial and renewal franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Our performance obligation under development agreements other than MFDAs generally consists of an obligation to grant exclusive development rights over a stated term. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchised restaurant opened by the franchisee. The pro rata amount apportioned to each restaurant is accounted for as an initial franchise fee.

We have a distinct performance obligation under our MFDAs to grant subfranchising rights over a stated term. Under the terms of MFDAs, we typically either receive an upfront fee paid in cash and/or receive noncash consideration in the form of an equity interest in the master franchisee or an affiliate of the master franchisee. We account for noncash consideration as investments in the applicable equity method investee and recognize revenue in an amount equal to the fair value of the equity interest received. Upfront fees from master franchisees, including the fair value of noncash consideration, are deferred and amortized over the MFDA term on a straight-line basis. We may recognize unamortized upfront fees when a contract with a franchisee or master franchisee is modified and is accounted for as a termination of the existing contract.

The portion of gift cards sold to customers which are never redeemed is commonly referred to as gift card breakage. We recognize gift card breakage income proportionately as each gift card is redeemed using an estimated breakage rate based on our historical experience.

Property revenues consists of rental income from properties we lease or sublease to franchisees. Property revenues are accounted for in accordance with applicable accounting guidance for leases and are excluded from the scope of revenue recognition guidance.

In certain instances, we provide incentives to franchisees in connection with restaurant renovations or other initiatives. These incentives may consist of cash consideration or non-cash consideration such as restaurant equipment. In general, these incentives are designed to support system-wide sales growth to increase our future revenues. The costs of these incentives are capitalized and amortized as a reduction in franchise and property revenue over the term of the contract to which the incentive relates.

Advertising revenues and other services

Advertising revenues consist primarily of franchisee contributions to advertising funds in those markets where our subsidiaries manage an advertising fund and are calculated as a percentage of franchised restaurant sales over the term of the franchise agreement. Under our franchise agreements, advertising contributions received from franchisees must be spent on advertising, product development, marketing, and related activities. We determined our advertising and promotion management services do not represent individually distinct performance obligations and are included in the Franchise PO.

Other services revenues consist primarily of tech fees and revenues, that vary by market, and partially offset expenses related to technology initiatives. These services are distinct from the Franchise PO because they are not dependent upon the franchise license or highly interrelated with the franchise license.

Cost of Sales

Cost of sales consists primarily of costs associated with the management of our Tim Hortons supply chain, including cost of goods, direct labor, depreciation, bad debt expense (recoveries) from supply chain sales and cost of products sold to retailers. Cost of sales also includes food, paper and labor costs of Company restaurants.

Franchise and Property Expenses

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) from franchise and property revenues.

Advertising Expenses and Other Services

Advertising expenses and other services consist primarily of expenses relating to marketing, advertising and promotion, including market research, production, advertising costs, sales promotions, social media campaigns, technology initiatives, bad debt expense (recoveries) from franchisee contributions to advertising funds we manage, depreciation and amortization and other related support functions for the respective brands. Additionally, we may incur discretionary expenses to fund advertising programs in connection with periodic initiatives.

Table of Contents

Company restaurants and franchised restaurants contribute to advertising funds that our subsidiaries manage in the United States and Canada and certain other international markets. The advertising funds expense the production costs of advertising when the advertisements are first aired or displayed. All other advertising and promotional costs are expensed in the period incurred. Under our franchise agreements, advertising contributions received from franchisees must be spent on advertising, product development, marketing and related activities. The advertising contributions by Company restaurants (including Restaurant VIEs) are eliminated in consolidation. Consolidated advertising expense totaled \$1,201 million, \$1,032 million and \$962 million in 2023, 2022 and 2021, respectively.

Deferred Financing Costs

Deferred financing costs are amortized over the term of the related debt agreement into interest expense using the effective interest method.

Income Taxes

Amounts in the Financial Statements related to income taxes are calculated using the principles of ASC Topic 740, *Income Taxes*. Under these principles, deferred tax assets and liabilities reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for tax purposes, as well as tax credit carry-forwards and loss carry-forwards. These deferred taxes are measured by applying currently enacted tax rates. A deferred tax asset is recognized when it is considered more-likely-than-not to be realized. The effects of changes in tax rates on deferred tax assets and liabilities are recognized in income in the year in which the law is enacted. A valuation allowance reduces deferred tax assets when it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

We recognize positions taken or expected to be taken in a tax return in the Financial Statements when it is more-likely-than-not (i.e., a likelihood of more than 50%) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit with greater than 50% likelihood of being realized upon ultimate settlement.

Translation gains and losses resulting from the remeasurement of foreign deferred tax assets or liabilities denominated in a currency other than the functional currency are classified as other operating expenses (income), net in the consolidated statements of operations.

Share-based Compensation

Compensation expense related to the issuance of share-based awards to our employees is measured at fair value on the grant date. We use the Black-Scholes option pricing model to value stock options. The fair value of restricted stock units (“RSUs”) is generally based on the closing price of RBI's common shares on the trading day preceding the date of grant. Our total shareholder return and if applicable our total shareholder return relative to our peer group is incorporated into the underlying assumptions using a Monte Carlo simulation valuation model to calculate grant date fair value for performance based awards with a market condition. The compensation expense for awards that vest over a future service period is recognized over the requisite service period on a straight-line basis, adjusted for estimated forfeitures of awards that are not expected to vest. We use historical data to estimate forfeitures for share-based awards. Upon the end of the service period, compensation expense is adjusted to account for the actual forfeiture rate. The compensation expense for awards that contain performance conditions is recognized when it is probable that the performance conditions will be achieved.

Supplier Finance Programs

Our Tim Hortons business includes individually negotiated contracts with suppliers, which include payment terms that range up to 120 days. A global financial institution offers a voluntary supply chain finance (“SCF”) program to certain Tim Hortons vendors, which provides suppliers that elect to participate with the ability to elect early payment, which is discounted based on the payment terms and a rate based on RBI's credit rating, which may be beneficial to the vendor. Participation in the SCF program is at the sole discretion of the suppliers and financial institution and we are not a party to the arrangements between the suppliers and the financial institution. Our obligations to suppliers are not affected by the suppliers’ decisions to participate in the SCF program and our payment terms remain the same based on the original supplier invoicing terms and conditions. No guarantees are provided by us or any of our subsidiaries in connection with the SCF Program.

Our confirmed outstanding obligations under the SCF program at December 31, 2023 and December 31, 2022 totaled \$36 million and \$47 million, respectively, and are classified as Accounts and drafts payable in our condensed consolidated balance sheets. All activity related to the obligations is classified as Cost of sales in our condensed consolidated statements of operations and presented within cash flows from operating activities in our condensed consolidated statements of cash flows.

New Accounting Pronouncements

Accounting Relief for the Transition Away from LIBOR and Certain other Reference Rates – In March 2020 and as clarified in January 2021 and December 2022, the Financial Accounting Standards Board (“FASB”) issued guidance which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. This amendment is effective as of March 12, 2020 through December 31, 2024. The expedients and exceptions provided by this new guidance do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2024, except for hedging relationships existing as of December 31, 2024, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationships. During 2021, we adopted certain of the expedients as it relates to hedge accounting as certain of our debt agreements and hedging relationships bear interest at variable rates, primarily U.S. dollar LIBOR. Additionally, during the three months ended September 30, 2023, we amended the LIBOR-referencing credit agreement governing our senior secured term loan facilities to reference the Secured Overnight Financing Rate (SOFR) as further disclosed in Note 8, *Long-Term Debt*. As of December 31, 2023, none of our debt agreements and hedging relationships make reference to LIBOR. The adoption of this new guidance did not have a material impact on our Financial Statements.

Liabilities—Supplier Finance Programs – In September 2022, the FASB issued guidance that requires buyers in a supplier finance program to disclose sufficient information about the program to allow investors to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. These disclosures would include the key terms of the program, as well as the obligation amount that the buyer has confirmed as valid to the third party that is outstanding at the end of the reporting period, a rollforward of that amount, and a description of where that amount is presented in the balance sheet. This amendment is effective in 2023, except for the amendment on rollforward information which is effective in 2024, with early adoption permitted. This guidance should be applied retrospectively to each period in which a balance sheet is presented, except for the amendment on rollforward information, which should be applied prospectively. During the first quarter of 2023, we adopted this guidance and added necessary disclosures upon adoption as disclosed in Note 2, *Significant Accounting Policies*, with the exception of rollforward information which will be added during the first quarter of 2024.

Segment Reporting – In November 2023, the FASB issued guidance that expands segment disclosures for public entities, including requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (“CODM”), the title and position of the CODM and an explanation of how the CODM uses reported measures of segment profit or loss in assessing segment performance and allocating resources. The new guidance also expands disclosures about a reportable segment's profit or loss and assets in interim periods and clarifies that a public entity may report additional measures of segment profit if the CODM uses more than one measure of a segment's profit or loss. The new guidance does not remove existing segment disclosure requirements or change how a public entity identifies its operating segments, aggregates those operating segments, or determines its reportable segments. The guidance is effective for fiscal years beginning after December 15, 2023, and subsequent interim periods with early adoption permitted, and requires retrospective application to all prior periods presented in the financial statements. We are currently evaluating the impact this new guidance will have on our disclosures upon adoption and expect to provide additional detail and disclosures under this new guidance.

Improvements to Income Tax Disclosures – In December 2023, the FASB issued guidance that expands income tax disclosures for public entities, including requiring enhanced disclosures related to the rate reconciliation and income taxes paid information. The guidance is effective for annual disclosures for fiscal years beginning after December 15, 2024, with early adoption permitted. The guidance should be applied on a prospective basis, with retrospective application to all prior periods presented in the financial statements permitted. We are currently evaluating the impact this new guidance will have on our disclosures upon adoption and expect to provide additional detail and disclosures under this new guidance.

Note 3. 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 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.

Table of Contents

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Numerator:			
Net income attributable to common shareholders - basic	\$ 1,190	\$ 1,008	\$ 838
Add: Net income attributable to noncontrolling interests	525	471	411
Net income available to common shareholders and noncontrolling interests - diluted	<u>\$ 1,715</u>	<u>\$ 1,479</u>	<u>\$ 1,249</u>
Denominator:			
Weighted average common shares - basic	312	307	310
Exchange of noncontrolling interests for common shares (Note 12)	139	144	151
Effect of other dilutive securities	6	4	3
Weighted average common shares - diluted	<u>456</u>	<u>455</u>	<u>464</u>
Basic earnings per share (a)	\$ 3.82	\$ 3.28	\$ 2.71
Diluted earnings per share (a)	\$ 3.76	\$ 3.25	\$ 2.69
Anti-dilutive securities outstanding	5	6	3

- (a) Diluted weighted average common shares and earnings per share may not recalculate exactly as it is calculated based on unrounded numbers.

Note 4. Property and Equipment, net

Property and equipment, net, consist of the following (in millions):

	As of December 31,	
	<u>2023</u>	<u>2022</u>
Land	\$ 987	\$ 985
Buildings and improvements	1,193	1,165
Restaurant equipment	215	192
Furniture, fixtures, and other	347	300
Finance leases	335	317
Construction in progress	62	52
	<u>3,139</u>	<u>3,011</u>
Accumulated depreciation and amortization	(1,187)	(1,061)
Property and equipment, net	<u>\$ 1,952</u>	<u>\$ 1,950</u>

Depreciation and amortization expense on property and equipment totaled \$137 million for 2023, \$135 million for 2022 and \$148 million for 2021.

Included in our property and equipment, net at December 31, 2023 and 2022 are \$226 million and \$227 million, respectively, of assets leased under finance leases (mostly buildings and improvements), net of accumulated depreciation and amortization of \$109 million and \$90 million, respectively.

Note 5. Intangible Assets, net and Goodwill

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

	As of December 31,					
	2023			2022		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Identifiable assets subject to amortization:						
Franchise agreements	\$ 727	\$ (348)	\$ 379	\$ 720	\$ (313)	\$ 407
Favorable leases	81	(54)	27	90	(57)	33
Subtotal	808	(402)	406	810	(370)	440
Indefinite-lived intangible assets:						
<i>Tim Hortons</i> brand	\$ 6,423	\$ —	\$ 6,423	\$ 6,292	\$ —	\$ 6,292
<i>Burger King</i> brand	2,107	—	2,107	2,088	—	2,088
<i>Popeyes</i> brand	1,355	—	1,355	1,355	—	1,355
<i>Firehouse Subs</i> brand	816	—	816	816	—	816
Subtotal	10,701	—	10,701	10,551	—	10,551
Intangible assets, net			\$ 11,107			\$ 10,991
Goodwill						
TH segment	\$ 4,118			\$ 4,038		
BK segment	232			231		
PLK segment	844			844		
FHS segment	193			193		
INTL segment	388			382		
Total	\$ 5,775			\$ 5,688		

During the fourth quarter of 2023, we revised our internal reporting structure to align with how our Chief Executive Officer, who is our Chief Operating Decision Maker (“CODM”), manages the business, assesses performance, makes operating decisions and allocates resources, which resulted in a change in our operating and reportable segments. We manage each of our brands’ United States and Canada operations as an operating and reportable segment and our international operations as an operating and reportable segment. As part of this reevaluation, we moved the international components of our previous operating segments to the new International segment with no changes to the composition of any reporting units. The carrying amount of goodwill assigned to each international component is included above in our International segment for both periods presented.

Amortization expense on intangible assets totaled \$37 million for 2023, \$39 million for 2022, and \$41 million for 2021. The change in the franchise agreements, brands and goodwill balances during 2023 was primarily due to the impact of foreign currency translation.

Table of Contents

As of December 31, 2023, the estimated future amortization expense on identifiable assets subject to amortization is as follows (in millions):

<u>Twelve-months ended December 31,</u>	<u>Amount</u>
2024	\$ 36
2025	35
2026	34
2027	34
2028	33
Thereafter	234
Total	<u>\$ 406</u>

Note 6. Equity Method Investments

The aggregate carrying amount of our equity method investments was \$163 million and \$167 million as of December 31, 2023 and 2022, respectively, and is included as a component of Other assets, net in our consolidated balance sheets.

Except for the following equity method investments, no quoted market prices are available for our other equity method investments. The aggregate market value of our 14.7% equity interest in Carrols Restaurant Group, Inc. (“Carrols”) based on the quoted market price on December 31, 2023 is approximately \$74 million. The aggregate market value of our 9.4% equity interest in BK Brasil Operação e Assessoria a Restaurantes S.A. based on the quoted market price on December 31, 2023 is approximately \$30 million. The aggregate market value of our 4.2% equity interest in TH International Limited based on the quoted market price on December 31, 2023 was approximately \$12 million. We evaluate declines in the market value of these equity method investments and as a result, during 2022, we recognized an impairment of \$15 million due to a sustained decline in Carrols' share price and market capitalization.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues from affiliates:			
Royalties	\$ 402	\$ 353	\$ 350
Advertising revenues	79	71	67
Property revenues	32	31	32
Franchise fees and other revenue	21	18	21
Sales	19	18	10
Total	<u>\$ 553</u>	<u>\$ 491</u>	<u>\$ 480</u>

At December 31, 2023 and 2022, we had \$61 million and \$42 million, respectively, of accounts receivable, net from our equity method investments which were recorded in accounts and notes receivable, net in our consolidated balance sheets.

With respect to our Tim Hortons 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 \$13 million during 2023 and 2022 and \$16 million during 2021.

We recognized rent expense associated with the TIMWEN Partnership of \$21 million, \$19 million, and \$18 million during 2023, 2022 and 2021, respectively.

(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 investees and impairment charges.

Note 7. Other Accrued Liabilities and Other Liabilities

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

	As of December 31,	
	2023	2022
Current:		
Dividend payable	\$ 245	\$ 243
Interest payable	67	89
Accrued compensation and benefits	147	124
Taxes payable	129	190
Deferred income	77	43
Accrued advertising expenses	58	37
Restructuring and other provisions	18	29
Current portion of operating lease liabilities	147	137
Other	117	109
Other accrued liabilities	<u>\$ 1,005</u>	<u>\$ 1,001</u>
Non-current:		
Taxes payable	\$ 57	\$ 139
Contract liabilities (see Note 14)	555	540
Derivatives liabilities	227	34
Unfavorable leases	42	50
Accrued pension	34	40
Deferred income	57	44
Other	24	25
Other liabilities, net	<u>\$ 996</u>	<u>\$ 872</u>

Note 8. Long-Term Debt

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

	As of December 31,	
	2023	2022
Term Loan B	\$ 5,175	\$ 5,190
Term Loan A	1,275	1,250
3.875% First Lien Senior Notes due 2028	1,550	1,550
3.50% First Lien Senior Notes due 2029	750	750
5.75% First Lien Senior Notes due 2025	500	500
4.375% Second Lien Senior Notes due 2028	750	750
4.00% Second Lien Senior Notes due 2030	2,900	2,900
TH Facility and other	143	155
Less: unamortized deferred financing costs and deferred issuance discount	<u>(122)</u>	<u>(111)</u>
Total debt, net	12,921	12,934
Less: current maturities of debt	<u>(67)</u>	<u>(95)</u>
Total long-term debt	<u>\$ 12,854</u>	<u>\$ 12,839</u>

Credit Facilities

On September 21, 2023, two of our subsidiaries (the “Borrowers”) entered into a seventh amendment (the “7th Amendment”) to the credit agreement governing our senior secured term loan A facility (the “Term Loan A”), our senior secured term loan B facility (the “Term Loan B” and together with the Term Loan A, 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 7th Amendment we (i) amended the existing Revolving Credit Facility to increase the availability from \$1,000 million to \$1,250 million and extended the maturity of the facility to September 21, 2028 without changing the leverage-based spread to adjusted SOFR (Secured Overnight Financing Rate); (ii) increased the Term Loan A to \$1,275 million and extended the maturity of the Term Loan A to September 21, 2028 without changing the leverage-based spread to adjusted SOFR; (iii) increased the Term Loan B to \$5,175 million, extended the maturity of the Term Loan B to September 21, 2030, and changed the interest rate applicable to borrowings under our Term Loan B to term SOFR, subject to a floor of 0.00%, plus an applicable margin of 2.25%; and (iv) made certain other changes as set forth therein, including removing the 0.10% adjustment to the term SOFR rate across the facilities and changes to certain covenants to provide increased flexibility. On December 28, 2023, we entered into an eighth amendment (the “8th Amendment” and together with the 7th Amendment, the “2023 Amendments”) to the credit agreement whereby Partnership and its subsidiaries became guarantors, subject to the covenants applicable to the Credit Facilities. The 2023 Amendments made no other material changes to the terms of the credit agreement. In connection with the 7th Amendment, we capitalized approximately \$44 million in debt issuance costs and recorded a \$16 million loss on early extinguishment of debt that primarily reflects expensing of fees in connection with the 7th Amendment and the write-off of unamortized debt issuance costs.

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) term SOFR, 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. The commitment fee on the unused portion of the Revolving Credit Facility is 0.15%. At December 31, 2023, the interest rate on the Term Loan A was 6.61%. The principal amount of the Term Loan A amortizes in quarterly installments equal to \$8 million beginning March 31, 2025 and \$16 million beginning March 31, 2027 until maturity, with the balance payable at maturity.

The interest rate applicable to the Term Loan B is, at our option, either (a) a base rate, subject to a floor of 1.00%, plus an applicable margin of 1.25%, or (b) term SOFR, subject to a floor of 0.00%, plus an applicable margin of 2.25%. At December 31, 2023, the interest rate on the Term Loan B was 7.61%. The principal amount of the Term Loan B amortizes in quarterly installments equal to \$13 million beginning March 31, 2024 until maturity, with the balance payable at maturity.

Revolving Credit Facility

As of December 31, 2023, we had no amounts outstanding under our Revolving Credit Facility. Funds available under the Revolving Credit Facility may be used to repay other debt, finance debt or share repurchases, to fund acquisitions or capital expenditures and for other general corporate purposes. We have a \$125 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. The interest rate applicable to amounts drawn under each letter of credit is 0.75% to 1.50%, depending on our net first lien leverage ratio. As of December 31, 2023, we had \$2 million of letters of credit issued against the Revolving Credit Facility, and our borrowing availability was \$1,248 million.

Obligations under the Credit Facilities are guaranteed on a senior secured basis, jointly and severally, by the Partnership and substantially all of its Canadian and U.S. subsidiaries, including The TDL Group Corp., Burger King Company LLC, Popeyes Louisiana Kitchen, Inc., FRG, LLC and substantially all of their respective Canadian and U.S. subsidiaries (the “Credit Guarantors”). Amounts borrowed under the Credit Facilities are secured on a first priority basis by a perfected security interest in substantially all of the present and future property (subject to certain exceptions) of each Borrower and Credit Guarantor.

3.875% First Lien Senior Notes due 2028

On September 24, 2019, the Borrowers entered into an indenture (the “3.875% First Lien 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”). On July 6, 2021, the Borrowers issued an additional \$800 million under the 3.875% First Lien Senior Notes Indenture (the “Additional Notes” and together with the 2019 3.875% Senior Notes, the “3.875% First Lien Senior Notes due 2028”). No principal payments are due until maturity and interest is paid semi-annually. The Additional Notes were priced at 100.250% of their face value. The net proceeds from the offering of the Additional Notes were used to redeem the remaining \$775 million principal amount outstanding of 4.25% first lien senior notes, plus any accrued and unpaid interest thereon, and pay related redemption premiums, fees and expenses. In connection with the issuance of the Additional Notes, we capitalized approximately \$7 million in debt issuance costs. In connection with the redemption of the remaining \$775 million principal amount outstanding of the 4.25% first lien senior notes, we recorded a loss on early extinguishment of debt of \$11 million that primarily reflects the payment of redemption premiums and the write-off of unamortized debt issuance costs.

Table of Contents

Obligations under the 3.875% First Lien Senior Notes due 2028 are guaranteed on a senior secured basis, jointly and severally, by the Partnership and substantially all of its Canadian and U.S. subsidiaries, including The TDL Group Corp., Burger King Company LLC, Popeyes Louisiana Kitchen, Inc., FRG, LLC and substantially all of their respective Canadian and U.S. subsidiaries (the “Note Guarantors”). The 3.875% First Lien Senior Notes due 2028 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 under our Credit Facilities.

The 3.875% First Lien Senior Notes due 2028 may be redeemed in whole or in part at any time at the redemption prices set forth in the 3.875% First Lien Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 3.875% First Lien Senior Notes Indenture also contains optional redemption provisions related to tender offers, change of control and equity offerings, among others.

3.50% First Lien Senior Notes due 2029

On November 9, 2020, the Borrowers entered into an indenture (the “3.50% First Lien Senior Notes Indenture”) in connection with the issuance of \$750 million of 3.50% first lien notes due February 15, 2029 (the “3.50% First Lien Senior Notes due 2029”). No principal payments are due until maturity and interest is paid semi-annually. The proceeds from the offering of the 3.50% First Lien Senior Notes due 2029, together with cash on hand, were used to redeem \$725 million of 4.25% first lien senior notes and pay related redemption premiums, fees and expenses.

Obligations under the 3.50% First Lien Senior Notes due 2029 are guaranteed on a senior secured basis, jointly and severally, by the Note Guarantors. The 3.50% First Lien Senior Notes due 2029 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 3.50% First Lien Senior Notes due 2029 may be redeemed in whole or in part, on or after February 15, 2024 at the redemption prices set forth in the 3.50% First Lien Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 3.50% First Lien Senior Notes Indenture also contains optional redemption provisions related to tender offers, change of control and equity offerings, among others.

5.75% First Lien Senior Notes due 2025

On April 7, 2020, the Borrowers entered into an indenture (the “5.75% First Lien Senior Notes Indenture”) in connection with the issuance of \$500 million of 5.75% first lien notes due April 15, 2025 (the “5.75% First Lien Senior Notes due 2025”). No principal payments are due until maturity and interest is paid semi-annually. The net proceeds from the offering of the 5.75% First Lien Senior Notes due 2025 were used for general corporate purposes.

Obligations under the 5.75% First Lien Senior Notes due 2025 are guaranteed on a senior secured basis, jointly and severally, by the Note Guarantors. The 5.75% First Lien Senior Notes due 2025 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 5.75% First Lien Senior Notes due 2025 may be redeemed in whole or in part at any time at the redemption prices set forth in the 5.75% First Lien Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 5.75% First Lien Senior Notes Indenture also contains optional redemption provisions related to tender offers, change of control and equity offerings, among others.

4.375% Second Lien Senior Notes due 2028

On November 19, 2019, the Borrowers entered into an indenture (the “4.375% Second Lien Senior Notes Indenture”) in connection with the issuance of \$750 million of 4.375% second lien senior notes due January 15, 2028 (the “4.375% Second Lien Senior Notes due 2028”). No principal payments are due until maturity and interest is paid semi-annually.

Obligations under the 4.375% Second Lien Senior Notes due 2028 are guaranteed on a second priority senior secured basis, jointly and severally, by the Note Guarantors. The 4.375% Second Lien Senior Notes due 2028 are second lien senior secured obligations and rank equal in right of payment with all of the existing and future senior debt of the Borrowers and Note Guarantors, including borrowings and guarantees of the Credit Facilities, and effectively subordinated to all of the existing and future first lien senior debt of the Borrowers and Note Guarantors.

Our 4.375% Second Lien Senior Notes due 2028 may be redeemed in whole or in part at any time at the redemption prices set forth in the 4.375% Second Lien Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 4.375% Second Lien Senior Notes Indenture also contains redemption provisions related to tender offers, change of control and equity offerings, among others.

Table of Contents

4.00% Second Lien Senior Notes due 2030

During 2020, the Borrowers entered into an indenture (the “4.00% Second Lien Senior Notes Indenture”) in connection with the issuance of \$2,900 million of 4.00% second lien notes due October 15, 2030 (the “4.00% Second Lien Senior Notes due 2030”). No principal payments are due until maturity and interest is paid semi-annually. The proceeds from the offering of the 4.00% Second Lien Senior Notes due 2030 were used to redeem the entire outstanding principal balance of \$2,800 million of 5.00% second lien senior notes due October 15, 2025 (the “5.00% Second Lien Senior Notes due 2025”), pay related redemption premiums, fees and expenses.

Obligations under the 4.00% Second Lien Senior Notes due 2030 are guaranteed on a second priority senior secured basis, jointly and severally, by the Note Guarantors. The 4.00% Second Lien Senior Notes due 2030 are second lien senior secured obligations and rank equal in right of payment with all of the existing and future senior debt of the Borrowers and Note Guarantors and effectively subordinated to all of the existing and future first lien senior debt of the Borrowers and Note Guarantors.

Our 4.00% Second Lien Senior Notes due 2030 may be redeemed in whole or in part, on or after October 15, 2025 at the redemption prices set forth in the 4.00% Second Lien Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 4.00% Second Lien Senior Notes Indenture also contains optional redemption provisions related to tender offers, change of control and equity offerings, among others.

Restrictions and Covenants

Our Credit Facilities, as well as the 3.875% First Lien Senior Notes Indenture, 5.75% First Lien Senior Notes Indenture, 3.50% First Lien Senior Notes Indenture, 4.375% Second Lien Senior Notes Indenture and 4.00% Second Lien Senior Notes Indenture (all together the “Senior Notes Indentures”) contain a number of customary affirmative and negative covenants that, among other things, limit or restrict our ability and the ability of certain of our subsidiaries to: incur additional indebtedness; incur liens; engage in mergers, consolidations, liquidations and dissolutions; sell assets; pay dividends and make other payments in respect of capital stock; make investments, loans and advances; pay or modify the terms of certain indebtedness; and engage in certain transactions with affiliates. In addition, under the Credit Facilities, the Borrowers are not permitted to exceed a first lien senior secured leverage ratio of 6.50 to 1.00 when, as of the end of any fiscal quarter beginning with the first fiscal quarter of 2020, (1) any amounts are outstanding under the Term Loan A and/or (2) the sum of (i) the amount of letters of credit outstanding exceeding \$50 million (other than those that are cash collateralized); (ii) outstanding amounts under the Revolving Credit Facility and (iii) outstanding amounts of swing line loans, exceeds 30.0% of the commitments under the Revolving Credit Facility.

The restrictions under the Credit Facilities and the Senior Notes Indentures have resulted in substantially all of our consolidated assets being restricted.

As of December 31, 2023, we were in compliance with applicable financial debt covenants under the Credit Facilities and the Senior Notes Indentures and there were no limitations on our ability to draw on the remaining availability under our Revolving Credit Facility.

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 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 four of our subsidiaries, and amounts borrowed under the TH Facility are secured by certain parcels of real estate. As of December 31, 2023, we had approximately C\$182 million outstanding under the TH Facility with a weighted average interest rate of 6.84%.

RE Facility

One of our subsidiaries entered into a non-revolving delayed drawdown term credit facility in a total aggregate principal amount of \$50 million with a maturity date of October 12, 2028 (the “RE Facility”). The interest rate applicable to the RE Facility is, at our option, either (i) a base rate, subject to a floor of 0.50%, plus an applicable margin of 0.50% or (ii) Adjusted Term SOFR (Adjusted Term SOFR is calculated as Term SOFR plus a margin based on duration), subject to a floor of 0.00%, plus an applicable margin of 1.50%. Obligations under the RE Facility are guaranteed by four of our subsidiaries, and amounts borrowed under the RE Facility are secured by certain parcels of real estate. As of December 31, 2023, we had approximately \$4 million outstanding under the RE Facility with a weighted average interest rate of 6.95%.

Debt Issuance Costs

During 2023 and 2021, we incurred aggregate deferred financing costs of \$44 million and \$19 million, respectively. We did not incur any significant deferred financing costs during 2022.

Table of Contents

Loss on Early Extinguishment of Debt

During 2023, we recorded a \$16 million loss on early extinguishment of debt that primarily reflects expensing of fees in connection with the 7th Amendment and the write-off of unamortized debt issuance costs. During 2021, we recorded an \$11 million loss on early extinguishment of debt that primarily reflects the payment of redemption premiums and the write-off of unamortized debt issuance costs in connection with the redemption of the remaining \$775 million principal amount outstanding of the 4.25% first lien senior notes.

Maturities

The aggregate maturities of our long-term debt as of December 31, 2023 are as follows (in millions):

<u>Year Ended December 31,</u>	<u>Principal Amount</u>
2024	\$ 67
2025	706
2026	84
2027	115
2028	3,505
Thereafter	8,566
Total	\$ 13,043

Interest Expense, net

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Debt (a)	\$ 576	\$ 493	\$ 461
Finance lease obligations	19	19	20
Amortization of deferred financing costs and debt issuance discount	27	28	27
Interest income	(40)	(7)	(3)
Interest expense, net	\$ 582	\$ 533	\$ 505

- (a) Amount includes \$61 million, \$56 million and \$45 million benefit during 2023, 2022 and 2021, respectively, related to the quarterly net settlements of our cross-currency rate swaps and amortization of the Excluded Component as defined in Note 11, *Derivative Instruments*.

Note 9. Leases

As of December 31, 2023, we leased or subleased 4,941 restaurant properties to franchisees and 132 non-restaurant properties to third parties under operating leases, direct financing leases and sales-type 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 specific levels. Lessees typically bear the cost of maintenance, insurance and property taxes.

We lease land, buildings, equipment, office space and warehouse space from third parties. Land and building leases generally have an initial term of 10 to 20 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, variable lease cost related to maintenance, insurance and property taxes.

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 December 31,	
	2023	2022
Land	\$ 856	\$ 880
Buildings and improvements	1,102	1,129
Restaurant equipment	27	16
	1,985	2,025
Accumulated depreciation and amortization	(656)	(625)
Property and equipment leased, net	\$ 1,329	\$ 1,400

Our net investment in direct financing and sales-type leases is as follows (in millions):

	As of December 31,	
	2023	2022
Future rents to be received:		
Future minimum lease receipts	\$ 111	\$ 112
Contingent rents (a)	4	5
Estimated unguaranteed residual value	6	6
Unearned income	(26)	(36)
	95	87
Current portion included within accounts receivable	(5)	(5)
Net investment in property leased to franchisees (b)	\$ 90	\$ 82

- (a) Amounts represent estimated contingent rents recorded in connection with the acquisition method of accounting.
(b) Included as a component of Other assets, net in our consolidated balance sheets.

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

	2023	2022	2021
Rental income:			
Minimum lease payments	\$ 385	\$ 410	\$ 455
Variable lease payments	452	395	329
Amortization of favorable and unfavorable income lease contracts, net	2	1	3
Subtotal - lease income from operating leases	839	806	787
Earned income on direct financing and sales-type leases	12	7	6
Total property revenues	\$ 851	\$ 813	\$ 793

[Table of Contents](#)

Company as Lessee

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

Lease Cost (Income)

	2023	2022	2021
Operating lease cost	\$ 201	\$ 202	\$ 202
Operating lease variable lease cost	201	196	193
Finance lease cost:			
Amortization of right-of-use assets	26	27	31
Interest on lease liabilities	19	19	20
Sublease income	(631)	(603)	(587)
Total lease income	<u>\$ (184)</u>	<u>\$ (159)</u>	<u>\$ (141)</u>

Lease Term and Discount Rate as of December 31, 2023 and 2022

	As of December 31,	
	2023	2022
Weighted-average remaining lease term (in years):		
Operating leases	9.5 years	9.8 years
Finance leases	11.2 years	11.5 years
Weighted-average discount rate:		
Operating leases	5.5 %	5.5 %
Finance leases	5.8 %	5.8 %

Other Information for 2023, 2022 and 2021

	2023	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 202	\$ 198	\$ 200
Operating cash flows from finance leases	\$ 19	\$ 19	\$ 20
Financing cash flows from finance leases	\$ 33	\$ 31	\$ 31
Supplemental noncash information on lease liabilities arising from obtaining right-of-use assets:			
Right-of-use assets obtained in exchange for new finance lease obligations	\$ 32	\$ 22	\$ 52
Right-of-use assets obtained in exchange for new operating lease obligations	\$ 168	\$ 133	\$ 133

Table of Contents

As of December 31, 2023, future minimum lease receipts and commitments are as follows (in millions):

	Lease Receipts		Lease Commitments (a)	
	Direct Financing and Sales-Type Leases	Operating Leases	Finance Leases	Operating Leases
2024	\$ 8	\$ 358	\$ 52	\$ 202
2025	7	333	49	191
2026	7	302	45	174
2027	7	272	42	160
2028	7	239	42	144
Thereafter	75	1,132	240	669
Total minimum receipts / payments	<u>\$ 111</u>	<u>\$ 2,636</u>	470	1,540
Less amount representing interest			(124)	(334)
Present value of minimum lease payments			346	1,206
Current portion of lease obligations (b)			(34)	(147)
Long-term portion of lease obligations			<u>\$ 312</u>	<u>\$ 1,059</u>

- (a) Minimum lease payments have not been reduced by minimum sublease rentals of \$1,608 million due in the future under non-cancelable subleases.
- (b) Current portion of operating lease obligations included as a component of Other accrued liabilities in our consolidated balance sheets.

Note 10. Income Taxes

Income before income taxes, classified by source of income, is as follows (in millions):

	2023	2022	2021
Canadian	\$ 493	\$ 444	\$ 457
Foreign	960	921	906
Income before income taxes	<u>\$ 1,453</u>	<u>\$ 1,365</u>	<u>\$ 1,363</u>

Income tax (benefit) expense attributable to income from continuing operations consists of the following (in millions):

	2023	2022	2021
Current:			
Canadian	\$ (47)	\$ (284)	\$ 16
U.S. Federal	77	105	(10)
U.S. state, net of federal income tax benefit	27	26	25
Other Foreign	108	96	84
	<u>\$ 165</u>	<u>\$ (57)</u>	<u>\$ 115</u>
Deferred:			
Canadian	\$ (37)	\$ 20	\$ 32
U.S. Federal	(18)	(79)	(37)
U.S. state, net of federal income tax benefit	(5)	(9)	(7)
Other Foreign	(370)	8	7
	<u>\$ (430)</u>	<u>\$ (60)</u>	<u>\$ (5)</u>
Income tax (benefit) expense	<u>\$ (265)</u>	<u>\$ (117)</u>	<u>\$ 110</u>

Table of Contents

The statutory rate reconciles to the effective income tax rate as follows:

	2023	2022	2021
Statutory rate	26.5 %	26.5 %	26.5 %
Costs and taxes related to foreign operations	5.3	3.8	3.5
Foreign tax rate differential	(15.1)	(13.7)	(13.9)
Change in valuation allowance	(0.8)	(0.7)	1.1
Change in accrual for tax uncertainties	(6.2)	(26.7)	(7.4)
Intercompany financing	(2.7)	1.2	(3.5)
Benefit from stock option exercises	(0.4)	(0.1)	(0.8)
Litigation settlements and reserves	—	—	1.4
Intra-Group reorganizations	(25.3)	—	—
Other	0.5	1.1	1.2
Effective income tax rate	<u>(18.2)%</u>	<u>(8.6)%</u>	<u>8.1 %</u>

Companies subject to the Global Intangible Low-Taxed Income provision (GILTI) have the option to account for the GILTI tax as a period cost if and when incurred, or to recognize deferred taxes for outside basis temporary differences expected to reverse as GILTI. We have elected to account for GILTI as a period cost.

Income tax (benefit) expense allocated to continuing operations and amounts separately allocated to other items was (in millions):

	2023	2022	2021
Income tax (benefit) expense from continuing operations	\$ (265)	\$ (117)	\$ 110
Cash flow hedge in accumulated other comprehensive income (loss)	(14)	153	72
Net investment hedge in accumulated other comprehensive income (loss)	22	77	(15)
Foreign Currency Translation in accumulated other comprehensive income (loss)	1	—	(4)
Pension liability in accumulated other comprehensive income (loss)	2	2	3
Total	<u>\$ (254)</u>	<u>\$ 115</u>	<u>\$ 166</u>

The significant components of deferred income tax (benefit) expense attributable to income from continuing operations are as follows (in millions):

	2023	2022	2021
Deferred income tax expense (benefit)	\$ (1,788)	\$ 79	\$ (22)
Change in valuation allowance	1,357	(143)	14
Change in effective U.S. state income tax rate	2	3	3
Change in effective foreign income tax rate	(1)	1	—
Total	<u>\$ (430)</u>	<u>\$ (60)</u>	<u>\$ (5)</u>

Table of Contents

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below (in millions):

	As of December 31,	
	2023	2022
Deferred tax assets:		
Accounts and notes receivable	\$ 5	\$ 8
Accrued employee benefits	53	56
Leases	104	105
Operating lease liabilities	311	304
Liabilities not currently deductible for tax	452	403
Tax loss and credit carryforwards	1,042	316
Intangible assets	1,048	—
Other	—	9
Total gross deferred tax assets	3,015	1,201
Valuation allowance	(1,563)	(194)
Net deferred tax assets	\$ 1,452	\$ 1,007
Less deferred tax liabilities:		
Property and equipment, principally due to differences in depreciation	7	15
Intangible assets	1,743	1,707
Leases	128	125
Operating lease assets	288	281
Statutory impairment	28	27
Derivatives	47	65
Outside basis difference	28	13
Other	5	—
Total gross deferred tax liabilities	\$ 2,274	\$ 2,233
Net deferred tax liability	\$ 822	\$ 1,226

The valuation allowance had a net increase of \$1,369 million during 2023 primarily due to the establishment of new valuation allowances associated with deferred tax assets generated from Intra-Group reorganizations that occurred in the current year as well as changes in estimates related to derivatives and the utilization of foreign tax credits and capital losses.

Changes in the valuation allowance are as follows (in millions):

	2023	2022	2021
Beginning balance	\$ 194	\$ 356	\$ 364
Change in estimates recorded to deferred income tax expense	(12)	(9)	14
Additions related to deferred tax assets generated in current year	1,369	—	—
Changes in losses and credits	—	(134)	—
(Reductions) additions related to other comprehensive income	12	(19)	(22)
Ending balance	\$ 1,563	\$ 194	\$ 356

Table of Contents

The gross amount and expiration dates of operating loss and tax credit carry-forwards as of December 31, 2023 are as follows (in millions):

	Amount	Expiration Date
Canadian net operating loss carryforwards	\$ 588	2036-2043
Canadian capital loss carryforwards	161	Indefinite
Canadian tax credits	5	2024-2042
U.S. federal net operating loss carryforward	51	Indefinite
U.S. state net operating loss carryforwards	519	2024-Indefinite
U.S. capital loss carryforwards	17	2037-2040
U.S. foreign tax credits	45	2024-2031
Other foreign net operating loss carryforwards	161	Indefinite
Other foreign net operating loss carryforwards	130	2024-2038
Other foreign capital loss carryforward	29	Indefinite
Other foreign credits	703	2033

We are generally permanently reinvested on any potential outside basis differences except for unremitted earnings and profits and thus do not record a deferred tax liability for such outside basis differences. To the extent of unremitted earnings and profits, we generally review various factors including, but not limited to, forecasts and budgets of financial needs of cash for working capital, liquidity and expected cash requirements to fund our various obligations and record deferred taxes to the extent we expect to distribute.

We had \$58 million and \$139 million of unrecognized tax benefits at December 31, 2023 and December 31, 2022, respectively, which if recognized, would favorably affect the effective income tax rate. A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows (in millions):

	2023	2022	2021
Beginning balance	\$ 139	\$ 437	\$ 497
Additions for tax positions related to the current year	5	(5)	9
Additions for tax positions of prior years	7	3	23
Reductions for tax positions of prior years	(14)	(15)	(5)
Additions for settlement	6	—	7
Reductions due to statute expiration	(85)	(281)	(94)
Ending balance	<u>\$ 58</u>	<u>\$ 139</u>	<u>\$ 437</u>

Although the timing of the resolution, settlement, and closure of any audits is highly uncertain, it is reasonably possible that the balance of gross unrecognized tax benefits could significantly change in the next 12 months. During the twelve months beginning January 1, 2024, it is reasonably possible we will reduce unrecognized tax benefits by up to approximately \$6 million due to the expiration of statutes of limitations, anticipated closure of various tax matters currently under examination, and settlements with tax authorities all being possibly impacted in multiple jurisdictions.

We recognize interest and penalties related to unrecognized tax benefits in income tax expense. The total amount of accrued interest and penalties was \$11 million and \$27 million at December 31, 2023 and 2022, respectively. Potential interest and penalties associated with uncertain tax positions in various jurisdictions recognized was \$4 million during 2023, \$3 million during 2022 and \$2 million during 2021. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision.

We file income tax returns with Canada and its provinces and territories. Generally, we are subject to routine examinations by the Canada Revenue Agency (“CRA”). The CRA is conducting examinations of the 2016 through 2019 taxation years. Additionally, income tax returns filed with various provincial jurisdictions are generally open to examination for periods up to six years subsequent to the filing and assessment of the respective return.

[Table of Contents](#)

We also file income tax returns, including returns for our subsidiaries, with U.S. federal, U.S. state, and other foreign jurisdictions. We are subject to routine examination by taxing authorities in the U.S. jurisdictions, as well as other foreign tax jurisdictions. Taxable years of such U.S. companies are closed through 2019 for U.S. federal income tax purposes. We have various U.S. state and other foreign income tax returns in the process of examination. From time to time, these audits result in proposed assessments where the ultimate resolution may result in owing additional taxes. We believe that our tax positions comply with applicable tax law and that we have adequately provided for these matters.

Note 11. 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 and derivatives designated as net investment hedges. We use derivatives to manage our exposure to fluctuations in interest rates and currency exchange rates.

Interest Rate Swaps

At December 31, 2023, we had outstanding 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, including any subsequent refinancing or replacement of the Term Loan Facilities, beginning August 31, 2021 through the termination date of October 31, 2028. Additionally, at December 31, 2023, 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. Following the discontinuance of the U.S. dollar LIBOR after June 30, 2023, the interest rate on all these interest rate swaps transitioned from LIBOR to SOFR, with no impact to hedge effectiveness and no change in accounting treatment as a result of applicable accounting relief guidance for the transition away from LIBOR. 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, net of tax, and reclassified into interest expense during the period in which the hedged forecasted transaction affects earnings. The net amount of pre-tax gains in connection with these net unrealized gains in AOCI as of December 31, 2023 that we expect to be reclassified into interest expense within the next 12 months is \$115 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 December 31, 2023, 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 December 31, 2023, we had outstanding cross-currency rate swaps that we entered into during 2022 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 in which we receive quarterly fixed-rate interest payments on the U.S. dollar notional amount of \$5,000 million through the maturity date of September 30, 2028.

During 2022, we de-designated existing cross-currency rate swap hedges between the Canadian dollar and U.S. dollar with a total notional amount of \$5,000 million for hedge accounting. As a result of these de-designations, changes in fair value of these undesignated hedges were recognized in earnings. Concurrently with these de-designations and to offset the changes in fair value recognized in earnings, we entered into off-setting cross-currency rate swaps, with a total notional amount of \$5,000 million, that were not designated as a hedge for hedge accounting and as such changes in fair value were recognized in earnings. The balances in AOCI associated with the de-designated cross-currency rate swaps will remain in AOCI and will only be reclassified into earnings if and when the net investment in our Canadian subsidiaries is sold or substantially sold. The entire notional amount of the de-designated cross-currency rate swaps and the off-setting cross-currency rate swaps were cash settled during 2022 for approximately \$35 million in net proceeds and included within operating activities in the consolidated statements of cash flows.

Table of Contents

At December 31, 2023, we had outstanding cross-currency rate swap contracts between the Euro and U.S. dollar in which we receive quarterly fixed-rate interest payments on the U.S. dollar aggregate amount of \$2,750 million, of which \$1,400 million have a maturity date of October 31, 2026, \$1,200 million have a maturity date of November 30, 2028, and \$150 million have a maturity date of October 31, 2028. At inception, these cross-currency rate swaps were designated and continue to be hedges and are accounted for as a net investment hedge. During 2023, we settled our previously existing cross-currency rate swaps in which we paid quarterly fixed-rate interest payments on the Euro notional amount of €1,108 million and received quarterly fixed-rate interest payments on the U.S. dollar notional amount of \$1,200 million and an original maturity date of February 17, 2024. During 2023, we also settled our previously existing cross-currency rate swap contracts between the Euro and U.S. dollar with a notional value of \$900 million and an original maturity date of February 17, 2024. In connection with these settlements, we received \$69 million in cash which is included within operating activities in the consolidated statements of cash flows.

In connection with the cross-currency rate swaps hedging Canadian dollar and Euro net investments, we utilize the spot method to exclude the interest component (the “Excluded Component”) from the accounting hedge without affecting net investment hedge accounting and 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 December 31, 2023, 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 \$169 million with maturities to February 18, 2025. 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.

Table of Contents

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 consolidated balance sheets (in millions):

	Gain or (Loss) Recognized in Other Comprehensive Income (Loss)		
	2023	2022	2021
Derivatives designated as cash flow hedges⁽¹⁾			
Interest rate swaps	\$ 41	\$ 509	\$ 132
Forward-currency contracts	\$ (2)	\$ 14	\$ —
Derivatives designated as net investment hedges			
Cross-currency rate swaps	\$ (210)	\$ 409	\$ 96

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

	Location of Gain or (Loss) Reclassified from AOCI into Earnings	Gain or (Loss) Reclassified from AOCI into Earnings		
		2023	2022	2021
Derivatives designated as cash flow hedges				
Interest rate swaps	Interest expense, net	\$ 83	\$ (54)	\$ (125)
Forward-currency contracts	Cost of sales	\$ 7	\$ 8	\$ (7)

	Location of Gain or (Loss) Recognized in Earnings	Gain or (Loss) Recognized in Earnings (Amount Excluded from Effectiveness Testing)		
		2023	2022	2021
Derivatives designated as net investment hedges				
Cross-currency rate swaps	Interest expense, net	\$ 61	\$ 56	\$ 45

	Fair Value as of December 31,		Balance Sheet Location
	2023	2022	
Assets:			
Derivatives designated as cash flow hedges			
Interest rate	\$ 190	\$ 280	Other assets, net
Foreign currency	—	7	Prepays and other current assets
Derivatives designated as net investment hedges			
Foreign currency	7	78	Other assets, net
Total assets at fair value	<u>\$ 197</u>	<u>\$ 365</u>	

Liabilities:			
Derivatives designated as cash flow hedges			
Foreign currency	\$ 2	\$ —	Other accrued liabilities
Derivatives designated as net investment hedges			
Foreign currency	227	34	Other liabilities, net
Total liabilities at fair value	<u>\$ 229</u>	<u>\$ 34</u>	

Note 12. Shareholders' Equity

Special Voting Share

The holders of the Partnership exchangeable units are indirectly entitled to vote in respect of matters on which holders of the common shares of the Company are entitled to vote, including in respect of the election of RBI directors, through a special voting share of the Company (the "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 of the Company 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.

Noncontrolling Interests

We reflect a noncontrolling interest which primarily represents the interests of the holders of Partnership exchangeable units in Partnership that are not held by RBI. The holders of Partnership exchangeable units held an economic interest of approximately 29.9% and 31.8% in Partnership common equity through the ownership of 133,597,764 and 142,996,640 Partnership exchangeable units as of December 31, 2023 and 2022, respectively.

Pursuant to the terms of the partnership agreement, each holder of a Partnership exchangeable unit is entitled to distributions from Partnership in an amount equal to any dividends or distributions that we declare and pay with respect to our common shares. Additionally, each holder of a Partnership exchangeable unit is entitled to vote in respect of matters on which holders of RBI common shares are entitled to vote through our special voting share. A holder of a Partnership exchangeable unit may require Partnership to exchange all or any portion of such holder's Partnership exchangeable units for our common shares at a ratio of one common share for each Partnership exchangeable unit, subject to our right as the general partner of Partnership, in our sole discretion, to deliver a cash payment in lieu of our common shares. If we elect to make a cash payment in lieu of issuing common shares, the amount of the payment will be the weighted average trading price of the common shares on the New York Stock Exchange for the 20 consecutive trading days ending on the last business day prior to the exchange date.

During 2023, Partnership exchanged 9,398,876 Partnership exchangeable units, pursuant to exchange notices received. In accordance with the terms of the partnership agreement, Partnership satisfied the exchange notices by exchanging 9,398,876 Partnership exchangeable units for the same number of newly issued RBI common shares. During 2022, Partnership exchanged 1,996,818 Partnership exchangeable units, pursuant to exchange notices received. In accordance with the terms of the partnership agreement, Partnership satisfied the exchange notices by exchanging 1,996,818 Partnership exchangeable units for the same number of newly issued RBI common shares. During 2021, Partnership exchanged 10,119,880 Partnership exchangeable units, pursuant to exchange notices received. In accordance with the terms of the partnership agreement, Partnership satisfied the exchange notices by exchanging 10,119,880 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 consolidated statements 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.

Share Repurchases

On August 31, 2023, our Board of Directors approved a share repurchase program that allows us to purchase up to \$1,000 million of our common shares until September 30, 2025. This approval follows the expiration of our prior two-year authorization to repurchase up to the same \$1,000 million amount of our common shares. During 2023, we repurchased and cancelled 7,639,137 common shares for \$500 million. During 2022, we repurchased and cancelled 6,101,364 common shares for \$326 million. During 2021, we repurchased and cancelled 9,247,648 common shares for \$551 million. As of December 31, 2023, we had \$500 million remaining under the authorization.

[Table of Contents](#)

Accumulated Other Comprehensive Income (Loss)

The following table displays the change in the components of AOCI (in millions):

	Derivatives	Pensions	Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss)
Balances at December 31, 2020	\$ (69)	\$ (30)	\$ (755)	\$ (854)
Foreign currency translation adjustment	—	—	(67)	(67)
Net change in fair value of derivatives, net of tax	207	—	—	207
Amounts reclassified to earnings of cash flow hedges, net of tax	96	—	—	96
Pension and post-retirement benefit plans, net of tax	—	15	—	15
Amounts attributable to noncontrolling interests	(98)	(6)	(3)	(107)
Balances at December 31, 2021	<u>\$ 136</u>	<u>\$ (21)</u>	<u>\$ (825)</u>	<u>\$ (710)</u>
Foreign currency translation adjustment	—	—	(703)	(703)
Net change in fair value of derivatives, net of tax	714	—	—	714
Amounts reclassified to earnings of cash flow hedges, net of tax	34	—	—	34
Pension and post-retirement benefit plans, net of tax	—	6	—	6
Amounts attributable to noncontrolling interests	(236)	(2)	218	(20)
Balances at December 31, 2022	<u>\$ 648</u>	<u>\$ (17)</u>	<u>\$ (1,310)</u>	<u>\$ (679)</u>
Foreign currency translation adjustment	—	—	250	250
Net change in fair value of derivatives, net of tax	(203)	—	—	(203)
Amounts reclassified to earnings of cash flow hedges, net of tax	(66)	—	—	(66)
Pension and post-retirement benefit plans, net of tax	—	7	—	7
Amounts attributable to noncontrolling interests	101	(3)	(113)	(15)
Balances at December 31, 2023	<u>\$ 480</u>	<u>\$ (13)</u>	<u>\$ (1,173)</u>	<u>\$ (706)</u>

Note 13. Share-based Compensation

We are currently issuing awards under the 2023 Omnibus Incentive Plan (the “2023 Plan”) and the number of shares available for issuance under such plan as of December 31, 2023 was 15,319,222. The 2023 Plan, and, prior to its adoption our Amended and Restated 2014 Omnibus Incentive Plan as amended (the “2014 Plan”) and together with the 2023 Plan, the “Omnibus Plans”), permits the grant of several types of awards with respect to our common shares, including stock options, time-vested RSUs, and performance-based RSUs, which may include Company, S&P 500 Index and/or individual performance based-vesting conditions. Under the terms of the Omnibus Plans and the applicable award agreements, RSUs are generally entitled to dividend equivalents, which are not distributed unless the related awards vest. Upon vesting, the amount of the dividend equivalent, which is distributed in additional RSUs, except in the case of RSUs awarded to non-management members of our board of directors, is equal to the equivalent of the aggregate dividends declared on common shares during the period from the date of grant of the award compounded until the date the shares underlying the award are delivered.

We also have some outstanding awards under legacy plans for Burger King and Tim Hortons, which were assumed in connection with the merger and amalgamation of those entities within the RBI group. No new awards may be granted under the 2014 Plan or these legacy Burger King plans or legacy Tim Hortons plans.

Share-based compensation expense is generally classified as general and administrative expenses in the consolidated statements of operations and consists of the following for the periods presented (in millions):

	2023	2022	2021
Total share-based compensation expense	\$ 177	\$ 121	\$ 88

As of December 31, 2023, total unrecognized compensation cost related to share-based compensation arrangements was \$285 million and is expected to be recognized over a weighted-average period of approximately 2.7 years.

Table of Contents

Restricted Stock Units

The fair value of the time-vested RSUs and performance-based RSUs is based on the closing price of the Company's common shares on the trading day preceding the date of grant. Time-vested RSUs are expensed over the vesting period. Performance-based RSUs are expensed over the vesting period, based upon the probability that the performance target will be met. We grant fully vested RSUs, with dividend equivalent rights that accrue in cash, to non-employee members of our board of directors in lieu of a cash retainer and committee fees. All such RSUs will settle and common shares of the Company will be issued following termination of service by the board member.

Starting in 2021, grants of time-vested RSUs generally vest 25% per year on December 15th or 31st over four years from the grant date and performance-based RSUs generally cliff vest three years from the grant date (the starting date for the applicable vesting period is referred to as the "Anniversary Date"). Time-vested RSUs and performance-based RSUs awarded prior to 2021 generally cliff vest five years from the original grant date.

During 2022, the Company granted performance-based RSUs that cliff vest three years from the original grant date based on achievement of performance metrics with a multiplier that can increase or decrease the amount vested based on the achievement of contractually defined relative total shareholder return targets with respect to the S&P 500 Index. Performance-based RSUs granted in 2021 and 2023 cliff vest three years from the original grant date based solely on defined relative total shareholder return targets with respect to the S&P 500 Index. Performance-based RSUs granted to the CEO in 2023 cliff vest five years from the date of grant and may be earned from 50% for threshold performance to 200% for maximum performance, based on meeting performance targets tied to the appreciation of the price of RBI common shares, with none of the award being earned if the threshold is not met. The respective fair value of these performance-based RSU awards was based on a Monte Carlo Simulation valuation model and these market condition awards are expensed over the vesting period. The total fair value of performance-based RSUs that solely have a performance condition relative to the S&P 500 Index does not change regardless of the value that the award recipients ultimately receive.

For grants of time-vested RSUs beginning in 2021, if the employee is terminated for any reason prior to any vesting date, the employee will forfeit all of the RSUs that are unvested at the time of termination. For grants of performance-based RSUs beginning in 2021, if the employee is terminated within the first two years of the Anniversary Date, 100% of the performance-based RSUs will be forfeited. If we terminate the employment of a performance-based RSU holder without cause at least two years after the grant date, or if the employee retires, the employee will become vested in 67% of the performance-based RSUs that are earned based on the performance criteria.

For grants prior to 2021, if the employee is terminated for any reason within the first two years of the Anniversary Date, 100% of the time-vested RSUs granted will be forfeited. If we terminate the employment of a time-vested RSU holder without cause two years after the Anniversary Date, or if the employee retires, the employee will become vested in the number of time-vested RSUs as if the time-vested RSUs vested 20% for each anniversary after the grant date. Also, for grants prior to 2021, if the employee is terminated for any reason within the first three years of the Anniversary Date, 100% of the performance-based RSUs granted will be forfeited. If we terminate the employment of a performance-based RSU holder without cause between three and five years after the Anniversary Date, or if the employee retires, the employee will become vested in 50% of the performance-based RSUs.

An alternate ratable vesting schedule applies to the extent the participant ends employment by reason of death or disability.

Chairman Awards

In connection with the appointment of the Executive Chairman in November 2022, the Company made one-time grants of options, RSUs and performance-based RSUs with specific terms and conditions. The Company granted 2,000,000 options with an exercise price equal to the closing price of RBI common shares on the trading day preceding the date of grant that cliff vest five years from the date of grant and expire after ten years. The Company granted 500,000 RSUs that vest ratably over five years on the anniversary of the grant date. Lastly, the Company granted 750,000 performance-based RSUs that cliff vest five and a half years from the date of grant and may be earned from 50% for threshold performance to 200% for maximum performance, based on meeting performance targets tied to the appreciation of the price of RBI common shares, with none of the award being earned if the threshold is not met. The respective fair value of these performance-based RSU awards was based on a Monte Carlo Simulation valuation model and these market condition awards are expensed over the vesting period regardless of the value that the award recipient ultimately receives.

[Table of Contents](#)

Restricted Stock Units Activity

The following is a summary of time-vested RSUs and performance-based RSUs activity for the year ended December 31, 2023:

	Time-vested RSUs		Performance-based RSUs	
	Total Number of Shares (in 000's)	Weighted Average Grant Date Fair Value	Total Number of Shares (in 000's)	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2023	3,553	\$ 57.31	6,437	\$ 57.43
Granted	1,005	\$ 68.40	1,458	\$ 59.66
Vested and settled	(1,398)	\$ 58.96	(670)	\$ 59.53
Dividend equivalents granted	105	\$ —	227	\$ —
Forfeited	(231)	\$ 61.67	(106)	\$ 69.28
Outstanding at December 31, 2023	3,034	\$ 60.29	7,346	\$ 57.68

The weighted-average grant date fair value of time-vested RSUs granted was \$57.24 and \$60.97 during 2022 and 2021, respectively. The weighted-average grant date fair value of performance-based RSUs granted was \$51.31 and \$57.60 during 2022 and 2021, respectively. The total fair value, determined as of the date of vesting, of RSUs vested and converted to common shares of the Company during 2023, 2022 and 2021 was \$141 million, \$58 million and \$99 million, respectively.

Stock Options

Stock option awards are granted with an exercise price or market value equal to the closing price of our common shares on the trading day preceding the date of grant. We satisfy stock option exercises through the issuance of authorized but previously unissued common shares. Stock option grants generally cliff vest 5 years from the original grant date, provided the employee is continuously employed by us or one of our affiliates, and the stock options expire 10 years following the grant date. Additionally, if we terminate the employment of a stock option holder without cause prior to the vesting date, or if the employee retires or becomes disabled, the employee will become vested in the number of stock options as if the stock options vested 20% on each anniversary of the grant date. If the employee dies, the employee will become vested in the number of stock options as if the stock options vested 20% on the first anniversary of the grant date, 40% on the second anniversary of the grant date and 100% on the third anniversary of the grant date. If an employee is terminated with cause or resigns before vesting, all stock options are forfeited. If there is an event such as a return of capital or dividend that is determined to be dilutive, the exercise price of the awards will be adjusted accordingly.

The following assumptions were used in the Black-Scholes option-pricing model to determine the fair value of stock option awards granted in 2022 at the grant date. There were no significant stock option awards granted in 2023 or 2021.

	2022
Risk-free interest rate	3.92%
Expected term (in years)	7.50
Expected volatility	30.0%
Expected dividend yield	3.24%

The risk-free interest rate was based on the U.S. Treasury or Canadian Sovereign bond yield with a remaining term equal to the expected option life assumed at the date of grant. The expected term was calculated based on the analysis of a five-year vesting period coupled with our expectations of exercise activity. Expected volatility was based on the historical and implied equity volatility of the Company. The expected dividend yield is based on the annual dividend yield at the time of grant.

Table of Contents

Stock Options Activity

The following is a summary of stock option activity under our plans for the year ended December 31, 2023:

	Total Number of Options (in 000's)	Weighted Average Exercise Price	Aggregate Intrinsic Value (a) (in 000's)	Weighted Average Remaining Contractual Term (Years)
Outstanding at January 1, 2023	7,494	\$ 58.00		
Granted	28	\$ 70.58		
Exercised	(1,260)	\$ 47.80		
Forfeited	(64)	\$ 64.85		
Outstanding at December 31, 2023	<u>6,198</u>	<u>\$ 60.23</u>	<u>\$ 111,001</u>	<u>5.6</u>
Exercisable at December 31, 2023	<u>2,520</u>	<u>\$ 51.55</u>	<u>\$ 66,983</u>	<u>2.8</u>
Vested or expected to vest at December 31, 2023	<u>5,978</u>	<u>\$ 60.02</u>	<u>\$ 108,271</u>	<u>5.6</u>

- (a) The intrinsic value represents the amount by which the fair value of our stock exceeds the option exercise price at December 31, 2023.

The weighted-average grant date fair value per stock option granted was \$18.61, \$17.52, and \$10.15 during 2023, 2022 and 2021, respectively. The total intrinsic value of stock options exercised was \$30 million during 2023, \$10 million during 2022, and \$46 million during 2021.

Note 14. 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 may recognize unamortized franchise fees and upfront fees when a contract with a franchisee or master franchisee is modified and is accounted for as a termination of the existing contract. We classify these contract liabilities as Other liabilities, net in our consolidated balance sheets. The following table reflects the change in contract liabilities on a consolidated basis between December 31, 2022 and December 31, 2023 (in millions):

Contract Liabilities	
Balance at December 31, 2022	\$ 540
Recognized during period and included in the contract liability balance at the beginning of the year	(60)
Increase, excluding amounts recognized as revenue during the period	69
Impact of foreign currency translation	6
Balance at December 31, 2023	<u>\$ 555</u>

Table of Contents

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) on a consolidated basis as of December 31, 2023 (in millions):

Contract liabilities expected to be recognized in

2024	\$	55
2025		53
2026		50
2027		47
2028		43
Thereafter		307
Total	\$	555

Disaggregation of Total Revenues

As described in Note 17, *Segment Reporting and Geographical Information*, during the fourth quarter of 2023, we revised our internal reporting structure, which resulted in a change to our operating and reportable segments. As a result, we manage each of our brands' United States and Canada operations as an operating and reportable segment and our international operations as an operating and reportable segment.

The following tables disaggregate revenue by segment (in millions):

	2023					
	TH	BK	PLK	FHS	INTL	Total
Sales	\$ 2,725	\$ 97	\$ 89	\$ 39	\$ —	\$ 2,950
Royalties	324	483	291	69	753	1,920
Property revenues	609	227	13	—	2	851
Franchise fees and other revenue	22	20	10	31	49	132
Advertising revenues and other services	292	470	289	48	70	1,169
Total revenues	\$ 3,972	\$ 1,297	\$ 692	\$ 187	\$ 874	\$ 7,022

	2022					
	TH	BK	PLK	FHS	INTL	Total
Sales	\$ 2,631	\$ 70	\$ 78	\$ 40	\$ —	\$ 2,819
Royalties	302	450	264	66	655	1,737
Property revenues	576	222	12	—	3	813
Franchise fees and other revenue	26	16	8	19	42	111
Advertising revenues and other services	266	438	257	13	51	1,025
Total revenues	\$ 3,801	\$ 1,196	\$ 619	\$ 138	\$ 751	\$ 6,505

	2021					
	TH	BK	PLK	FHS	INTL	Total
Sales	\$ 2,249	\$ 64	\$ 64	\$ 1	\$ —	\$ 2,378
Royalties	278	435	247	2	599	1,561
Property revenues	556	221	13	—	3	793
Franchise fees and other revenue	19	18	5	2	45	89
Advertising revenues and other services	229	418	230	—	41	918
Total revenues	\$ 3,331	\$ 1,156	\$ 559	\$ 5	\$ 688	\$ 5,739

Note 15. Other Operating Expenses (Income), net

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

	2023	2022	2021
Net losses (gains) on disposal of assets, restaurant closures and refranchisings	\$ 16	\$ 4	\$ 2
Litigation settlements and reserves, net	1	11	81
Net losses (gains) on foreign exchange	20	(4)	(76)
Other, net	18	14	—
Other operating expenses (income), net	<u>\$ 55</u>	<u>\$ 25</u>	<u>\$ 7</u>

Net losses (gains) on disposal of assets, restaurant closures, and refranchisings represent sales of properties and other costs related to restaurant closures and refranchisings. Gains and losses recognized in the current period may reflect certain costs related to closures and refranchisings that occurred in previous periods. The amount for 2023 includes asset write-offs and related costs in connection with the discontinuance of an internally developed software project.

Litigation settlements and reserves, net primarily reflects accruals and payments made and proceeds received in connection with litigation and arbitration matters and other business disputes.

In early 2022, we entered into negotiations to resolve business disputes that arose during 2021 with counterparties to the master franchise agreements for Burger King and Popeyes in China. Based on these discussions, we paid approximately \$100 million in 2022, of which \$5 million and \$72 million was recorded as Litigation settlements and reserves, net in 2022 and 2021, respectively. The majority of this amount related to Popeyes, resolved our disputes, and allowed us to move forward in the market with a new master franchisee. Additionally, pursuant to this agreement we and our partners have made equity contributions to the Burger King business in China.

Net losses (gains) on foreign exchange is primarily related to revaluation of foreign denominated assets and liabilities, primarily those denominated in Euros and Canadian dollars.

Other, net for 2023 and 2022 are primarily related to payments in connection with FHS area representative buyouts.

Note 16. Commitments and Contingencies

Letters of Credit

As of December 31, 2023, we had \$12 million in irrevocable standby letters of credit outstanding, which were issued primarily to certain insurance carriers to guarantee payments of deductibles for various insurance programs, such as health and commercial liability insurance. Of these letters of credit outstanding, \$2 million are secured by the collateral under our Revolving Credit Facility and the remainder are secured by cash collateral. As of December 31, 2023, no amounts had been drawn on any of these irrevocable standby letters of credit.

Purchase Commitments

We have arrangements for information technology and telecommunication services with an aggregate contractual obligation of \$30 million over the next three years, some of which have early termination fees. We also enter into commitments to purchase advertising. As of December 31, 2023, these commitments totaled \$201 million and run through 2028.

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.

Table of Contents

On October 5, 2018, a class action complaint was filed against Burger King Worldwide, Inc. (“BKW”) and Burger King Company, successor in interest, (“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 RBI, 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 RBI, BKW and BKC in the U.S. District Court for the Southern District of Florida by Sandra Munster, individually and on behalf of all others similarly situated. These complaints have been consolidated and 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. On March 24, 2020, the Court granted BKC’s motion to dismiss for failure to state a claim and on April 20, 2020 the plaintiffs filed a motion for leave to amend their complaint. On April 27, 2020, BKC filed a motion opposing the motion for leave to amend. The court denied the plaintiffs motion for leave to amend their complaint in August 2020 and the plaintiffs appealed this ruling. In August 2022, the federal appellate court reversed the lower court's decision to dismiss the case and remanded the case to the lower court for further proceedings. While we intend to vigorously defend these claims, we are unable to predict the ultimate outcome of this case or estimate the range of possible loss, if any.

Note 17. Segment Reporting and Geographical Information

As stated in Note 1, *Description of Business and Organization*, we manage four 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. Under the *Firehouse Subs* brand, we operate in the specialty subs category of the quick service segment of the restaurant industry.

Our business generates revenue from the following sources: (i) sales, consisting primarily of (1) Tim Hortons supply chain sales, which represent sales of products, supplies and restaurant equipment to franchisees, as well as sales of consumer packaged goods (“CPG”), and (2) sales at Company restaurants; (ii) franchise revenues, consisting primarily of royalties based on a percentage of sales reported by franchised restaurants and franchise fees paid by franchisees; (iii) property revenues from properties we lease or sublease to franchisees; and (iv) advertising revenues and other services, consisting primarily of (1) advertising fund contributions based on a percentage of sales reported by franchised restaurants to fund advertising expenses and (2) tech fees and revenues, that vary by market, and partially offset expenses related to technology initiatives.

During the fourth quarter of 2023, we revised our internal reporting structure, which resulted in a change to our operating and reportable segments. As a result, we manage each of our brands’ United States and Canada operations as an operating and reportable segment and our international operations as a separate operating and reportable segment.

Consequently, we have five operating and reportable segments: (1) TH, which includes all operations of our *Tim Hortons* brand in the United States and Canada, (2) BK, which includes all operations of our *Burger King* brand in the United States and Canada, (3) PLK, which includes all operations of our *Popeyes* brand in the United States and Canada, (4) FHS, which includes all operations of our *Firehouse Subs* brand in the United States and Canada, and (5) INTL, which includes all operations of each of our brands outside the United States and Canada. Our five operating segments represent our reportable segments. Prior year amounts presented have been reclassified to conform to this new segment presentation with no effect on previously reported consolidated results. FHS revenues and segment income for the period from the acquisition date of December 15, 2021 through December 26, 2021 (the fiscal year end for FHS) are included in our consolidated statement of operations for 2021.

Table of Contents

The following tables present revenues, by segment and by country, depreciation and amortization, (income) loss from equity method investments, and capital expenditures by segment (in millions):

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues by operating segment:			
TH	\$ 3,972	\$ 3,801	\$ 3,331
BK	1,297	1,196	1,156
PLK	692	619	559
FHS	187	138	5
INTL	874	751	688
Total	<u>\$ 7,022</u>	<u>\$ 6,505</u>	<u>\$ 5,739</u>
Revenues by country (a):			
Canada	\$ 3,630	\$ 3,484	\$ 3,048
United States	2,518	2,270	2,003
Other	874	751	688
Total	<u>\$ 7,022</u>	<u>\$ 6,505</u>	<u>\$ 5,739</u>
Depreciation and amortization:			
TH	\$ 108	\$ 114	\$ 131
BK	46	45	44
PLK	11	10	9
FHS	4	4	—
INTL	22	17	17
Total	<u>\$ 191</u>	<u>\$ 190</u>	<u>\$ 201</u>
(Income) loss from equity method investments:			
TH	\$ (15)	\$ (13)	\$ (14)
BK	8	27	7
INTL	(1)	30	11
Total	<u>\$ (8)</u>	<u>\$ 44</u>	<u>\$ 4</u>
Capital expenditures:			
TH	\$ 51	\$ 39	\$ 66
BK	37	31	13
PLK	9	9	13
FHS	4	3	—
INTL	19	18	14
Total	<u>\$ 120</u>	<u>\$ 100</u>	<u>\$ 106</u>

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

Our CODM manages assets on a consolidated basis. Accordingly, segment assets are not reported to our CODM or used in his decisions to allocate resources or assess performance of the segments. Therefore, total segment assets and long-lived assets have not been disclosed.

Table of Contents

Total long-lived assets by country are as follows (in millions):

	As of December 31,	
	2023	2022
By country:		
Canada	\$ 1,545	\$ 1,531
United States	1,578	1,558
Other	41	25
Total	<u>\$ 3,164</u>	<u>\$ 3,114</u>

Long-lived assets include property and equipment, net, finance and operating lease right of use assets, net and net investment in property leased to franchisees. Only Canada and the United States represented 10% or more of our total long-lived assets as of December 31, 2023 and December 31, 2022.

In connection with our change in operating and reportable segments, we also transitioned our definition of segment income from Adjusted EBITDA to Adjusted Operating Income and represents income from operations adjusted to exclude (i) franchise agreement amortization as a result of acquisition accounting, (ii) (income) loss from equity method investments, net of cash distributions received from equity method investments, (iii) other operating expenses (income), net and, (iv) income/expenses from non-recurring projects and non-operating activities. For the periods referenced, income/expenses from non-recurring projects and non-operating activities included (i) non-recurring fees and expense incurred in connection with the acquisition of Firehouse consisting of professional fees, compensation-related expenses and integration costs (“FHS Transaction costs”); and (ii) non-operating costs from professional advisory and consulting services associated with certain transformational corporate restructuring initiatives that rationalize our structure and optimize cash movements as well as services related to significant tax reform legislation and regulations (“Corporate restructuring and advisory fees”). Unlike Adjusted EBITDA, our previous measure of segment income, Adjusted Operating Income includes depreciation and amortization (excluding franchise agreement amortization) as well as share-based compensation and non-cash incentive compensation expense. Prior year amounts presented have been reclassified to conform to this new segment income presentation with no effect on previously reported consolidated results.

Adjusted Operating Income 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 our operating performance. A reconciliation of segment income to net income consists of the following (in millions):

	2023	2022	2021
Segment income:			
TH	\$ 958	\$ 925	\$ 845
BK	386	396	421
PLK	221	205	198
FHS	38	33	2
INTL	597	525	511
Adjusted Operating Income	<u>2,200</u>	<u>2,084</u>	<u>1,977</u>
Franchise agreement amortization	31	32	32
FHS Transaction costs	19	24	18
Corporate restructuring and advisory fees	38	46	16
Impact of equity method investments (a)	6	59	25
Other operating expenses (income), net	55	25	7
Income from operations	<u>2,051</u>	<u>1,898</u>	<u>1,879</u>
Interest expense, net	582	533	505
Loss on early extinguishment of debt	16	—	11
Income tax (benefit) expense	(265)	(117)	110
Net income	<u>\$ 1,718</u>	<u>\$ 1,482</u>	<u>\$ 1,253</u>

- (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 18. Subsequent Events

Dividends

On January 4, 2024, we paid a cash dividend of \$0.55 per common share to common shareholders of record on December 21, 2023. On such date, Partnership also made a distribution in respect of each Partnership exchangeable unit in the amount of \$0.55 per exchangeable unit to holders of record on December 21, 2023.

On February 13, 2024, we announced that the board of directors had declared a cash dividend of \$0.58 per common share for the first quarter of 2024. The dividend will be paid on April 4, 2024 to common shareholders of record on March 21, 2024. Partnership will also make a distribution in respect of each Partnership exchangeable unit in the amount of \$0.58 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.

Acquisition of Carrols Restaurant Group

On January 16, 2024, we announced that we have reached an agreement to acquire all of Carrols issued and outstanding shares that are not already held by RBI or its affiliates for \$9.55 per share in an all cash transaction, or an aggregate total enterprise value of approximately \$1.0 billion. Carrols is the largest Burger King franchisee in the U.S. today, currently operating approximately 1,020 Burger King restaurants and approximately 60 Popeyes restaurants.

The transaction is expected to be completed in the second quarter of 2024 and is subject to customary closing conditions, including approval by the holders of the majority of common stock held by Carrols stockholders excluding shares held by RBI and its affiliates and officers of Carrols in addition to approval by holders of a majority of outstanding common stock of Carrols.

The transaction is not subject to a financing contingency and is expected to be financed with cash on hand and term loan debt for which RBI has received a financing commitment.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15e under the Exchange Act) as of December 31, 2023. 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 that there were no changes in the Company's internal control over financial reporting during the fourth quarter of 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management's Report on Internal Control Over Financial Reporting and the report of Independent Registered Public Accounting Firm are set forth in Part II, Item 8 of this Form 10-K.

Item 9B. Other Information

Item 5.02 Departure of Directors or Certain Officers; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

(e)

Pursuant to RBI's Bonus Swap Program, RBI provides eligible employees, including its named executive officers, or NEOs, the ability to invest 25% or 50% of their net cash bonus into RBI common shares ("Investment Shares") and leverage the investment through the issuance of matching restricted share units ("RSUs"). The matching RSUs vest ratably over four years on December 15th of each year, beginning the year of grant. All of the unvested matching RSUs will be forfeited if an NEO's service (including service on the Board of Directors of RBI) is terminated for any reason (other than death or disability) prior to the date of vesting. If an NEO transfers any Investment Shares before the vesting date, he or she will forfeit 100% of the unvested matching RSUs. All of RBI's eligible NEOs elected to participate in the 2023 Bonus Swap Program at the 50% level. On January 29, 2024, the Compensation Committee of the Board of Directors (the "Compensation Committee") approved the 2024 bonus swap program on substantially the same terms as the 2023 bonus swap program.

On January 29, 2024, the Compensation Committee determined to increase the base salary of NEOs to reflect the competitive market. These changes will be effective March 1, 2024: Mr. Kobza's base salary will increase from \$900,000 to \$950,000, Mr. Dunnigan's base salary will increase from \$650,000 to \$685,000 and Mr. Shear's base salary will increase from \$700,000 to \$735,000. The bonus targets as a percentage of salary for NEOs have not changed.

On January 29, 2024, the Compensation Committee approved the 2024 Annual Bonus Program. For 2024 annual incentive, each of the NEOs will have 25% of the target based on achievement of individual metrics which may be earned from 0% up to 100% and 75% of the target based on a mix of comparable sales achievement, net restaurant growth ("NRG") achievement, franchisee profitability and on organic adjusted operating income ("AOI") achievement, each of which may be earned from a threshold of 50% to a maximum of 200%; with the weighting based on the applicable business unit. For corporate roles, the weighting is 15% NRG achievement, 20% comparable sales achievement, 10% franchisee profitability achievement and 30% organic AOI achievement. Overall, any annual incentive payout will require (1) achievement of the threshold amount of organic AOI, (2) that individual achievement must also be earned at no less than 20% and (3) that certain general and administrative expense targets must be met.

On January 29, 2024, the Compensation Committee approved performance based RSUs ("PSUs") discretionary awards to Messrs. Kobza, Dunnigan, and Shear, which consist of the following PSUs at target based on the closing price on February 22, 2024: \$9 million for Mr. Kobza, \$2.5 million for Mr. Dunnigan, and \$4.5 million for Mr. Shear. The performance measure for purposes of determining the number of PSUs earned by each of Messrs. Kobza, Dunnigan, and Shear is the relative total shareholder return of RBI shares on the NYSE compared to the S&P 500 for the period from February 23, 2024 to February 23, 2027. The Compensation Committee established a target performance level from the 50th to 60th percentile, a performance threshold at or above which 50% of target is earned and below which no shares are earned at the 25th percentile, and a maximum performance level at the 85th percentile

Table of Contents

at or above which 150% of the target is earned. Amounts earned between threshold and 50th percentile or 60th percentile and maximum will be based on linear interpolation. Once earned, the PSUs will cliff vest on March 15, 2027. In addition, if an executive's service to RBI is terminated (other than due to death or disability) prior to February 23, 2026, he or she will forfeit the entire award. A copy of the form of the Performance Award Agreement between RBI and each of the NEOs is filed herewith as Exhibit 10.14(c). This summary is qualified in its entirety to the full text of the form of award agreement.

Item 9C. *Disclosure Regarding Foreign Jurisdictions that Prevent Inspections*

None.