

The Management's Discussion and Analysis of Financial Condition and Results of Operations for Restaurant Brands International Inc. is also included in the Form 10-Q for the period ended September 30, 2024, filed on SEDAR+ on November 5, 2024, in its entirety. All references to USD or \$ are to United States dollars, and all references to C\$ are to Canadian dollars.

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

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

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

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

Operating results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for the fiscal year and our operating metrics, as discussed below, may decrease for any future period. Unless the context otherwise requires, all references in this section to "RBI", the "Company", "we", "us" or "our" are to Restaurant Brands International Inc. and its subsidiaries, collectively and all references in this section to "Partnership" are to Restaurant Brands International Limited Partnership and its subsidiaries, collectively.

Overview

We are a Canadian corporation that serves as the indirect holding company for the entities that own and franchise the *Tim Hortons*®, *Burger King*®, *Popeyes*® and *Firehouse Subs*® brands. We are one of the world's largest quick service restaurant ("QSR") companies with over \$40 billion in annual system-wide sales and over 30,000 restaurants in more than 120 countries and territories as of September 30, 2024. Our *Tim Hortons*®, *Burger King*®, *Popeyes*®, and *Firehouse Subs*® brands have similar franchised business models with complementary daypart mixes and product platforms. Our four iconic brands are managed independently while benefiting from global scale and sharing of best practices.

Tim Hortons restaurants are quick service restaurants with a menu that includes premium blend coffee, tea, espresso-based hot and cold specialty drinks, fresh baked goods, including donuts, *Timbits*®, bagels, muffins, cookies and pastries, sandwiches, wraps, soups and more. Burger King restaurants are quick service restaurants that feature flame-grilled hamburgers, chicken and other specialty sandwiches, french fries, soft drinks and other food items. Popeyes restaurants are quick service restaurants that distinguish themselves with a unique "Louisiana" style menu featuring fried chicken, chicken sandwiches, chicken tenders, wings, fried shrimp and other seafood, red beans and rice and other regional items. Firehouse Subs restaurants are quick service restaurants featuring hot and hearty subs piled high with quality meats and cheese as well as chopped salads, chili and soups, signature and other sides, soft drinks and local specialties.

On May 16, 2024, we completed the acquisition of Carrols Restaurant Group Inc. ("Carrols") ("the Carrols Acquisition"). On June 28, 2024, we also completed the acquisition of Popeyes China ("PLK China") ("the PLK China Acquisition"). Our consolidated statements of operations for the three and nine months ended September 30, 2024 include Carrols and PLK China revenues, expenses and segment income from the respective date of acquisition.

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Following the Carrols Acquisition and PLK China Acquisition, we established a new operating and reportable segment, Restaurant Holdings, which includes results from the Carrols Burger King restaurants and the PLK China restaurants and reflects how our chief operating decision maker manages and assesses performance of our segments. This management approach is consistent with our long-term plans to rebrand the vast majority of the Carrols Burger King restaurants and to find a new partner for PLK China restaurants. As a result, beginning in the second quarter of 2024, we are reporting results under six operating and reportable segments consisting of the following:

1. Tim Hortons – operations of our Tim Hortons brand in Canada and the U.S. (“TH”);
2. Burger King – operations of our Burger King brand in the U.S. and Canada, excluding results of Burger King restaurants acquired as part of the Carrols Acquisition, included in our RH segment (defined below) (“BK”);
3. Popeyes Louisiana Kitchen – operations of our Popeyes brand in the U.S. and Canada (“PLK”);
4. Firehouse Subs – operations of our Firehouse Subs brand in the U.S. and Canada (“FHS”);
5. International – operations of each of our brands outside the U.S. and Canada, excluding results of PLK China restaurants included in our RH segment (“INTL”); and
6. Restaurant Holdings – operations of Burger King restaurants acquired as part of the Carrols Acquisition and the operations of PLK China restaurants (“RH”).

We generate revenues from the following sources: (i) supply chain sales, consisting primarily of 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”); (ii) sales at Company restaurants; (iii) franchise revenues, consisting primarily of royalties based on a percentage of sales reported by franchised restaurants and franchise fees paid by franchisees; (iv) property revenues from properties we lease or sublease to franchisees; and (v) 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. All Tim Hortons global supply chain sales, including coffee to International franchisees, are included in the TH segment.

Operating costs and expenses for our segments include:

- supply chain cost of sales comprised of costs associated with the management of our Tim Hortons supply chain, including cost of goods, direct labor, depreciation, and cost of CPG products sold to retailers;
- Company restaurant expenses comprised of costs associated with food, paper, labor, occupancy costs and depreciation of Company restaurants;
- franchise and property expenses comprised primarily of depreciation of properties leased to franchisees, rental expense associated with properties subleased to franchisees, amortization of franchise agreements and reacquired franchise rights, and bad debt expense (recoveries);
- advertising expenses and other services comprised primarily of expenses relating to marketing, advertising and promotion, including market research, production, advertising costs, sales promotions, social media campaigns, technology initiatives, depreciation and amortization and other related support functions for the respective brands. Our advertising expenses and other services are funded by contributions from franchisees and Company restaurants as well as our support initiatives behind marketing programs; and
- segment general and administrative expenses (“Segment G&A”) comprised primarily of salary and employee-related costs for non-restaurant employees, professional fees, information technology systems, general overhead for our corporate offices, share-based compensation and non-cash incentive compensation expense, and depreciation and amortization.

Intersegment Transactions

BK and INTL results include revenues and RH results include expenses from an intersegment franchisor-franchisee relationship. From the date of acquisition, BK results include royalty, property, advertising contribution and tech fees revenues recognized for intersegment transactions with Burger King restaurants acquired from Carrols, with corresponding expenses recognized by RH. From the date of acquisition, INTL results include royalty and advertising contribution revenues recognized for intersegment transactions with PLK China restaurants, with corresponding expenses recognized by RH. These intersegment revenues and expenses are eliminated in consolidation but are presented within segment results in a manner consistent with internal reporting used to assess performance and allocate resources.

RH Results

The changes in our results of operations for the three and nine months ended September 30, 2024 as compared to the three and nine months ended September 30, 2023 are partially driven by the inclusion of the results of operations of RH. The RH statement of operations data for the three and nine months ended September 30, 2024 is summarized as follows:

RH Segment (in millions of U.S. dollars)	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Revenues:		
Company restaurant sales	\$ 441	\$ 671
Total revenues	441	671
Food, beverage and packaging costs	123	187
Restaurant wages and related expenses	141	213
Restaurant occupancy and other expenses (a)	120	178
Company restaurant expenses	384	578
Advertising expenses and other services (b)	19	29
Reacquired franchise rights amortization (c)	10	14
Segment G&A	23	35
Adjustments:		
Reacquired franchise rights amortization	10	14
Adjusted Operating Income	16	30

- (a) Restaurant occupancy and other expenses includes intersegment royalties expense of \$20 million and intersegment property expenses of \$8 million during the three months ended September 30, 2024 and intersegment royalties expense of \$30 million and intersegment property expenses of \$12 million during the nine months ended September 30, 2024, which are eliminated in consolidation.
- (b) Advertising expenses and other services includes intersegment advertising expenses and tech fees of \$18 million and \$28 million during the three and nine months ended September 30, 2024, respectively, which are eliminated in consolidation.
- (c) Reacquired franchise rights amortization is included in franchise and property expenses in our condensed consolidated statements of operations.

Key Operating Metrics

Key performance indicators are shown for RBI's five franchisor operating segments — TH, BK, PLK, FHS and INTL. RH results for the Carrols BK restaurants and PLK China restaurants are included in the BK segment and INTL segment, respectively.

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

- System-wide sales growth refers to the percentage change in sales at all franchised restaurants and Company restaurants (referred to as system-wide sales) in one period from the same period in the prior year.
- Comparable sales refers to the percentage change in restaurant sales in one period from the same prior year period for restaurants that have been open for 13 months or longer for Tim Hortons, Burger King and Firehouse Subs and 17 months or longer for Popeyes. Additionally, if a restaurant is closed for a significant portion of a month, the restaurant is excluded from the monthly comparable sales calculation.
- System-wide sales growth and comparable sales are measured on a constant currency basis, which means the results exclude the effect of foreign currency translation (“FX Impact”). For system-wide sales growth and comparable sales, we calculate the FX Impact by translating prior year results at current year monthly average exchange rates.
- Unless otherwise stated, system-wide sales growth, system-wide sales and comparable sales are presented on a system-wide basis, which means they include franchised restaurants and Company restaurants. System-wide results are driven by our franchised restaurants, as approximately 95% of system-wide restaurants are franchised. Franchise sales represent sales at all franchised restaurants and are revenues to our franchisees. We do not record franchise sales as revenues; however, our royalty revenues and advertising fund contributions are calculated based on a percentage of franchise sales.
- Net restaurant growth refers to the net change in restaurant count (openings, net of permanent closures) over a trailing twelve month period, divided by the restaurant count at the beginning of the trailing twelve month period. In determining whether a restaurant meets our definition of a restaurant that will be included in our net restaurant growth, we consider factors such as scope of operations, format and image, separate franchise agreement, and minimum sales thresholds. We refer to restaurants that do not meet our definition as “alternative formats.” These alternative formats are helpful to build brand awareness, test new concepts and provide convenience in certain markets.

These metrics are important indicators of the overall direction of our business, including trends in sales and the effectiveness of each brand’s marketing, operations and growth initiatives.

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<i>Key Operating Metrics</i>	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
System-wide sales growth				
TH	2.8 %	8.1 %	5.2 %	11.8 %
BK	(1.5)%	6.4 %	0.0 %	7.6 %
PLK	(0.6)%	11.2 %	4.6 %	10.2 %
FHS (a)	(1.3)%	7.0 %	1.9 %	7.5 %
INTL	8.0 %	15.6 %	9.5 %	19.4 %
Consolidated	3.2 %	10.9 %	5.3 %	13.1 %
System-wide sales (in US\$ millions)				
TH	\$ 1,952	\$ 1,929	\$ 5,616	\$ 5,397
BK	\$ 2,891	\$ 2,938	\$ 8,569	\$ 8,571
PLK	\$ 1,509	\$ 1,520	\$ 4,581	\$ 4,382
FHS (a)	\$ 301	\$ 305	\$ 918	\$ 902
INTL	\$ 4,780	\$ 4,532	\$ 13,513	\$ 12,755
Consolidated (a)	\$ 11,433	\$ 11,224	\$ 33,197	\$ 32,007
Comparable sales				
TH	2.3 %	7.6 %	4.5 %	11.1 %
BK	(0.7)%	6.6 %	0.9 %	7.8 %
PLK	(4.0)%	5.6 %	0.6 %	4.5 %
FHS (a)	(4.8)%	3.6 %	(1.6)%	4.4 %
INTL	1.8 %	7.7 %	2.8 %	10.6 %
Consolidated	0.3 %	7.0 %	2.2 %	8.9 %
As of September 30,				
<u>2024</u> <u>2023</u>				
Net restaurant growth				
TH			0.0 %	(0.4)%
BK			(1.5)%	(2.4)%
PLK			4.1 %	5.3 %
FHS			3.9 %	2.5 %
INTL			7.6 %	9.5 %
Consolidated			3.8 %	4.2 %
Restaurant count				
TH			4,504	4,502
BK			7,119	7,224
PLK			3,465	3,329
FHS			1,300	1,251
INTL			15,137	14,069
Consolidated			31,525	30,375

(a) 2023 comparable sales and system wide sales amounts for FHS have been revised to make immaterial corrections and provide comparability with the current calculation methodology. These revisions have no impact on previously reported revenue and adjusted operating income for the FHS segment. These revisions had an immaterial impact to RBI consolidated system-wide sales, and no impact to consolidated system-wide sales growth nor comparable sales.

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Results of Operations for the Three and Nine Months Ended September 30, 2024 and 2023

Tabular amounts in millions of U.S. dollars unless noted otherwise. Total revenues and segment income for each segment may not calculate exactly due to rounding.

<i>Consolidated</i>	Three Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact	Nine Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact
	2024	2023				2024	2023			
Revenues:										
Supply chain sales	\$ 699	\$ 706	\$ (7)	\$ (10)	\$ 3	\$ 2,008	\$ 1,989	\$ 19	\$ (20)	\$ 39
Company restaurant sales	567	65	502	—	502	1,016	194	822	—	822
Franchise and property revenues	735	753	(18)	(9)	(9)	2,194	2,163	31	(24)	55
Advertising revenues and other services	290	313	(23)	(1)	(22)	892	856	36	(2)	38
Total revenues	2,291	1,837	454	(20)	474	6,110	5,202	908	(46)	954
Operating costs and expenses:										
Supply chain cost of sales	559	572	13	8	5	1,616	1,620	4	16	(12)
Company restaurant expenses	473	58	(415)	—	(415)	848	172	(676)	—	(676)
Franchise and property expenses	134	119	(15)	2	(17)	394	372	(22)	3	(25)
Advertising expenses and other services	327	326	(1)	1	(2)	972	909	(63)	2	(65)
General and administrative expenses	176	169	(7)	—	(7)	534	507	(27)	—	(27)
(Income) loss from equity method investments	3	1	(2)	—	(2)	(69)	19	88	—	88
Other operating expenses (income), net	42	10	(32)	—	(32)	31	20	(11)	—	(11)
Total operating costs and expenses	1,714	1,255	(459)	11	(470)	4,326	3,619	(707)	21	(728)
Income from operations	577	582	(5)	(9)	4	1,784	1,583	201	(25)	226
Interest expense, net	147	143	(4)	—	(4)	442	430	(12)	—	(12)
Loss on early extinguishment of debt	1	16	15	—	15	33	16	(17)	—	(17)
Income before income taxes	429	423	6	(9)	15	1,309	1,137	172	(25)	197
Income tax expense	72	59	(13)	—	(13)	225	145	(80)	(1)	(79)
Net income	\$ 357	\$ 364	\$ (7)	\$ (9)	\$ 2	\$ 1,084	\$ 992	\$ 92	\$ (26)	\$ 118

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

Our operating results are impacted by a number of external factors, including consumer spending levels and general economic conditions.

Supply Chain Sales and Cost of Sales

During the three and nine months ended September 30, 2024, the changes in supply chain sales and supply chain cost of sales were driven by our TH segment.

Company Restaurant Sales and Expenses

During the three and nine months ended September 30, 2024, the increases in Company restaurant sales and Company restaurant expenses were primarily driven by an increase in Company restaurants due to restaurant acquisitions from franchisees.

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Franchise and Property

During the three months ended September 30, 2024, the decrease in franchise and property revenues was primarily driven by the discontinuance of franchise and property revenues from restaurants acquired from franchisees and an unfavorable FX Impact, partially offset by an increase in royalties as a result of an increase in system-wide sales.

During the nine months ended September 30, 2024, the increase in franchise and property revenues was primarily driven by an increase in royalties as a result of increases in system-wide sales, partially offset by the discontinuance of franchise and property revenues from restaurants acquired from franchisees and an unfavorable FX Impact.

During the three months ended September 30, 2024, the increase in franchise and property expenses was primarily driven by the inclusion of reacquired franchise rights amortization primarily related to the Carrols Acquisition and bad debt expenses in the current year compared to bad debt recoveries in the prior year. These factors were partially offset by the reclassification of occupancy costs from franchise and property expenses to Company restaurant expenses related to restaurant acquisitions from franchisees.

During the nine months ended September 30, 2024, the increase in franchise and property expenses was primarily driven by the inclusion of reacquired franchise rights amortization primarily related to the Carrols Acquisition, an increase in convention expenses primarily at TH and an increase in bad debt expenses. These factors were partially offset by the reclassification of occupancy costs from franchise and property expenses to Company restaurant expenses related to restaurant acquisitions from franchisees.

Advertising and Other Services

During the three months ended September 30, 2024, the decrease in advertising revenues and other services was primarily driven by the discontinuance of advertising revenues and other services from restaurants acquired from franchisees, partially offset by an increase in advertising fund contributions by franchisees due to an increase in system-wide sales.

During the nine months ended September 30, 2024, the increase in advertising revenues and other services was primarily driven by an increase in advertising fund contributions by franchisees due to an increase in system-wide sales, an increase in advertising fund contributions from vendors, and an increase in tech fees. These factors were partially offset by the discontinuance of advertising revenues and other services from restaurants acquired from franchisees.

During the three months ended September 30, 2024, advertising expenses and other services remained consistent with the prior year.

During the nine months ended September 30, 2024, the increase in advertising expenses and other services was primarily driven by an increase in advertising fund contributions.

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General and Administrative Expenses

Our general and administrative expenses consisted of the following:

	Three Months Ended		Variance		Nine Months Ended		Variance			
	September 30,		\$	%	September 30,		\$	%		
	2024	2023	Favorable / (Unfavorable)		2024	2023	Favorable / (Unfavorable)			
Segment G&A:										
TH	\$ 36	\$ 43	\$ 7	16 %	\$ 116	\$ 121	\$ 5	4 %		
BK	32	37	5	14 %	104	106	2	2 %		
PLK	19	21	2	10 %	62	64	2	3 %		
FHS	11	14	3	21 %	39	40	1	3 %		
INTL	48	49	1	2 %	150	140	(10)	(7)%		
RH	23	—	(23)	NM	35	—	(35)	NM		
RH Transaction costs	4	—	(4)	NM	17	—	(17)	NM		
FHS Transaction costs	—	—	—	NM	—	19	19	NM		
Corporate restructuring and advisory fees	3	5	2	40 %	11	17	6	35 %		
General and administrative expenses	<u>\$ 176</u>	<u>\$ 169</u>	<u>\$ (7)</u>	<u>(4)%</u>	<u>\$ 534</u>	<u>\$ 507</u>	<u>\$ (27)</u>	<u>(5)%</u>		

NM - Not meaningful

In connection with the Carrols Acquisition and the PLK China Acquisition, we incurred certain non-recurring fees and expenses (“RH Transaction costs”) consisting primarily of professional fees, compensation related expenses and integration costs, all of which are classified as general and administrative expenses in the condensed consolidated statements of operations. We expect to incur additional RH Transaction costs through 2024 and into 2025.

In connection with the acquisition and integration of Firehouse Subs, we incurred certain non-recurring fees and expenses (“FHS Transaction costs”) consisting of professional fees, compensation related expenses and integration costs. We did not incur any additional FHS Transaction costs subsequent to March 31, 2023.

In connection with certain transformational corporate restructuring initiatives that rationalize our structure and optimize cash movement within our structure as well as services related to significant tax reform legislation and regulations, we incurred non-operating expenses primarily from professional advisory and consulting services (“Corporate restructuring and advisory fees”).

During the three months ended September 30, 2024, the increase in general and administrative expenses was primarily driven by the inclusion of RH Segment G&A and RH Transaction costs during 2024, partially offset by decreases in TH, BK, PLK, FHS and INTL Segment G&A.

During the nine months ended September 30, 2024, the increase in general and administrative expenses was primarily driven by the inclusion of RH Segment G&A and RH Transaction costs during 2024 and an increase in INTL Segment G&A, partially offset by the non-recurrence of FHS Transaction costs, a decrease in Corporate restructuring and advisory fees and a decrease in TH, BK, PLK and FHS Segment G&A.

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(Income) Loss from Equity Method Investments

(Income) loss from equity method investments reflects our share of investee net income or loss as well as gains or losses from changes in our ownership interests in equity investees.

The change in (income) loss from equity method investments reflects changes in earnings of our equity method investments during the three and nine months ended September 30, 2024 compared to the three and nine months ended September 30, 2023. Additionally, the change in (income) loss from equity method investments during the nine months ended September 30, 2024 reflects a \$79 million gain recognized during the nine months ended September 30, 2024 in connection with the Carrols Acquisition that resulted in an increase in the value of our existing 15% equity interest in Carrols.

Other Operating Expenses (Income), net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net losses (gains) on disposal of assets, restaurant closures, and franchisings	\$ (4)	\$ 30	\$ 6	\$ 19
Litigation settlements (gains) and reserves, net	1	1	2	(1)
Net losses (gains) on foreign exchange	44	(18)	15	(11)
Other, net	1	(3)	8	13
Other operating expenses (income), net	<u>\$ 42</u>	<u>\$ 10</u>	<u>\$ 31</u>	<u>\$ 20</u>

Net losses (gains) on disposal of assets, restaurant closures, and franchisings represent sales of properties and other costs related to restaurant closures and franchisings. Gains and losses recognized in the current period may reflect certain costs related to closures and franchisings that occurred in previous periods. The amount for the three and nine months ended September 30, 2023 includes asset write-offs and related costs in connection with the discontinuance of an internally developed software project.

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

Other, net for the nine months ended September 30, 2023 is primarily related to payments in connection with FHS area representative buyouts.

Interest Expense, net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest expense, net	\$ 147	\$ 143	\$ 442	\$ 430
Weighted average interest rate on long-term debt	4.6 %	5.0 %	4.8 %	5.0 %

During the three and nine months ended September 30, 2024, interest expense, net increased primarily due to an increase in long-term debt, partially offset by a decrease in the weighted average interest rate.

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Loss on Early Extinguishment of Debt

During the three and nine months ended September 30, 2024, we recorded a \$1 million and \$33 million loss on early extinguishment of debt, respectively, that primarily reflects expensing of fees and the write-off of unamortized debt issuance costs in connection with various amendments to our credit agreement and the full redemption of our outstanding 5.75% first lien senior notes due 2025. See Note 11, “*Long-Term Debt*,” to the notes to the condensed consolidated financial statements for additional details.

During the three and nine months ended September 30, 2023, we recorded a \$16 million loss on early extinguishment of debt that primarily reflects expensing of fees and the write-off of unamortized debt issuance costs in connection with an amendment to our credit agreement.

Income Tax Expense

Our effective tax rate was 16.7% and 14.0% for the three months ended September 30, 2024 and 2023, respectively, and 17.2% and 12.8% for the nine months ended September 30, 2024 and 2023, respectively. The increase in our effective tax rate was primarily due to a favorable structural change that benefited 2023, the impact of the Carrols Acquisition in 2024 as well as such impact on our mix of income from multiple jurisdictions.

Net Income

We reported net income of \$357 million for the three months ended September 30, 2024, compared to net income of \$364 million for the three months ended September 30, 2023. The decrease in net income is primarily due to a \$32 million unfavorable change in the results from other operating expenses (income), net, a \$13 million increase in income tax expense and a \$12 million increase in franchise agreement and reacquired franchise rights amortization. These factors were partially offset by the inclusion of \$16 million of RH segment income, a \$15 million decrease in loss on early extinguishment of debt, a \$15 million increase in TH segment income, and a \$5 million increase in INTL segment income. Amounts above include a total unfavorable FX Impact to net income of \$9 million.

We reported net income of \$1,084 million for the nine months ended September 30, 2024, compared to net income of \$992 million for the nine months ended September 30, 2023. The increase in net income is primarily due to an \$86 million favorable change from the impact of equity method investments primarily due to a gain in connection with the Carrols Acquisition, a \$50 million increase in TH segment income, the inclusion of \$30 million of RH segment income, the non-recurrence of \$19 million of FHS Transaction costs, a \$17 million increase in PLK segment income, a \$16 million increase in INTL segment income, a \$15 million increase in BK segment income and a \$5 million increase in FHS segment income. These factors were partially offset by an \$80 million increase in income tax expense, \$17 million of RH Transaction costs, a \$17 million increase in loss on early extinguishment of debt, a \$15 million increase in franchise agreement and reacquired franchise rights amortization, a \$12 million increase in interest expense, net, and an \$11 million unfavorable change in the results from other operating expenses (income), net. Amounts above include a total unfavorable FX Impact to net income of \$26 million.

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Segment Results of Operations for the Three and Nine Months Ended September 30, 2024 and 2023

TH Segment	Three Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact	Nine Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact
	2024	2023				2024	2023			
			Favorable / (Unfavorable)					Favorable / (Unfavorable)		
Revenues:										
Supply chain sales	\$ 699	\$ 706	\$ (7)	\$ (11)	\$ 4	\$ 2,008	\$ 1,989	\$ 20	\$ (20)	\$ 40
Company restaurant sales	11	12	—	—	—	34	35	(1)	—	(1)
Franchise and property revenues	255	253	2	(4)	6	745	714	31	(8)	39
Advertising revenues and other services	79	82	(3)	(1)	(2)	226	216	10	(2)	12
Total revenues	1,044	1,052	(8)	(16)	8	3,013	2,954	60	(30)	90
Supply chain cost of sales	559	572	13	9	4	1,616	1,620	5	16	(12)
Company restaurant expenses	9	10	—	—	—	28	29	1	—	1
Franchise and property expenses	83	80	(3)	1	(4)	257	244	(13)	3	(16)
Advertising expenses and other services	78	84	6	1	5	235	227	(7)	2	(10)
Segment G&A	36	43	7	1	7	116	121	5	1	4
Adjustments:										
Franchise agreement amortization (a)	2	2	—	—	—	5	5	—	—	—
Cash distributions received from equity method investments	4	4	—	—	—	11	10	1	—	1
Adjusted Operating Income	284	269	15	(4)	19	777	727	50	(8)	58

(a) Franchise agreement amortization is included in franchise and property expenses.

System-wide Sales

During the three months ended September 30, 2024, TH system-wide sales growth of 2.8% was primarily driven by comparable sales of 2.3%. During the nine months ended September 30, 2024, TH system-wide sales growth of 5.2% was primarily driven by comparable sales of 4.5%.

Supply Chain Sales and Cost of Sales

During the three months ended September 30, 2024, the decrease in supply chain sales was primarily driven by an unfavorable FX Impact and a decrease in CPG net sales, partially offset by an increase in equipment sales.

During the nine months ended September 30, 2024, the increase in supply chain sales was primarily driven by an increase in system-wide sales and an increase in equipment sales, partially offset by an unfavorable FX Impact and a decrease in CPG net sales.

During the three months ended September 30, 2024, the decrease in supply chain cost of sales was primarily driven by a favorable FX Impact, lower average cost of inventory, and a decrease in CPG sales, partially offset by an increase in equipment sales.

During the nine months ended September 30, 2024, the decrease in supply chain cost of sales was primarily driven by a favorable FX Impact and lower average cost of inventory, partially offset by an increase in equipment sales and an increase in supply chain sales.

Company Restaurant Sales and Expenses

During the three and nine months ended September 30, 2024, Company restaurant sales and expenses remained relatively consistent with the prior year.

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Franchise and Property

During the three and nine months ended September 30, 2024, the increases in franchise and property revenues were primarily driven by increases in rent and royalties, as a result of increases in system-wide sales, partially offset by an unfavorable FX Impact.

During the three and nine months ended September 30, 2024, the increases in franchise and property expenses were primarily driven by increases in rent expense. Additionally, the increase in franchise and property expenses during the nine months ended September 30, 2024 reflects convention expenses, which are mostly offset by convention revenues. There were no convention revenues or expenses recognized during 2023.

Advertising and Other Services

During the three months ended September 30, 2024, the decrease in advertising revenues and other services was primarily driven by a decrease in other services revenue, partially offset by an increase in advertising fund contributions by franchisees as a result of an increase in system-wide sales.

During the nine months ended September 30, 2024, the increase in advertising revenues and other services was primarily driven by an increase in advertising fund contributions by franchisees as a result of an increase in system-wide sales, and an increase in other services revenue.

During the three months ended September 30, 2024, the decrease in advertising expenses and other services was primarily driven by a decrease in other services expense.

During the nine months ended September 30, 2024, the increase in advertising expenses and other services was primarily driven by an increase in advertising revenues and other services.

Segment G&A

During the three and nine months ended September 30, 2024, the decreases in Segment G&A were primarily driven by lower salary and employee-related costs for non-restaurant employees.

<i>BK Segment</i>	Three Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact	Nine Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact
	2024	2023				2024	2023			
<i>Revenues:</i>										
Company restaurant sales	\$ 60	\$ 21	\$ 39	\$ —	\$ 39	\$ 181	\$ 64	\$ 117	\$ —	\$ 117
Franchise and property revenues (b)	179	183	(4)	—	(4)	533	542	(9)	—	(9)
Advertising revenues and other services (c)	122	124	(2)	—	(2)	363	347	16	—	16
Total revenues	362	329	33	—	33	1,076	952	124	(1)	124
Company restaurant expenses	56	20	(36)	—	(36)	166	59	(106)	—	(106)
Franchise and property expenses	32	32	1	—	1	92	100	8	—	8
Advertising expenses and other services	133	131	(2)	—	(2)	389	378	(11)	—	(11)
Segment G&A	32	37	5	—	5	104	106	2	—	2
<i>Adjustments:</i>										
Franchise agreement amortization (a)	2	3	—	—	—	7	8	(1)	—	(1)
Adjusted Operating Income	112	111	1	—	1	332	317	15	—	15

(b) For three and nine months ended September 30, 2024, franchise and property revenues include intersegment revenues with RH consisting of royalties of \$20 million and \$30 million, respectively, and rent of \$8 million and \$12 million, respectively.

(c) For three and nine months ended September 30, 2024, advertising revenues and other services include intersegment revenues with RH consisting of advertising contributions and tech fees of \$18 million and \$28 million, respectively.

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System-wide Sales

During the three months ended September 30, 2024, BK system-wide sales growth of (1.5)% was primarily driven by comparable sales of (0.7)% and net restaurant growth of (1.5)%. During the nine months ended September 30, 2024, BK system-wide sales growth was flat reflecting comparable sales of 0.9% and net restaurant growth of (1.5)%.

Company Restaurant Sales and Expenses

During the three and nine months ended September 30, 2024, the increases in Company restaurant sales and expenses were primarily driven by increases in Company restaurants due to non-Carrols restaurant acquisitions from franchisees.

Franchise and Property

During the three and nine months ended September 30, 2024, the decreases in franchise and property revenues was primarily driven by a decrease in royalties due to non-Carrols restaurant acquisitions from franchisees and restaurant closures as well as a decrease in system-wide sales during the three months ended September 30, 2024.

During the three months ended September 30, 2024, franchise and property expenses remained consistent with the prior year.

During the nine months ended September 30, 2024, the decrease in franchise and property expenses was primarily driven by bad debt recoveries in 2024 compared to bad debt expenses in 2023.

Advertising and Other Services

During the three months ended September 30, 2024, advertising revenues and other services remained consistent with the prior year.

During the nine months ended September 30, 2024, the increase in advertising revenues and other services was primarily driven by an increase in advertising fund contributions from vendors, partially offset by a decrease in advertising fund contributions from franchisees due to non-Carrols restaurant acquisitions from franchisees.

During the three months ended September 30, 2024, advertising expenses and other services remained consistent with the prior year.

During the nine months ended September 30, 2024, the increase in advertising expenses and other services was driven by an increase in advertising fund contributions.

Segment G&A

During the three and nine months ended September 30, 2024, the decreases in Segment G&A were primarily driven by lower salary and employee-related costs for non-restaurant employees.

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<i>PLK Segment</i>	Three Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact	Nine Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact
	2024	2023				2024	2023			
			Favorable / (Unfavorable)					Favorable / (Unfavorable)		
<i>Revenues:</i>										
Company restaurant sales	\$ 44	\$ 22	\$ 22	\$ —	\$ 22	\$ 100	\$ 66	\$ 34	\$ —	\$ 34
Franchise and property revenues	79	80	(1)	—	(1)	244	235	9	—	10
Advertising revenues and other services	72	75	(3)	—	(3)	223	210	13	—	13
Total revenues	195	177	17	—	17	567	510	57	—	57
Company restaurant expenses	38	20	(18)	—	(18)	86	58	(28)	—	(28)
Franchise and property expenses	2	2	—	—	—	10	10	—	—	—
Advertising expenses and other services	74	77	2	—	2	228	214	(14)	—	(14)
Segment G&A	19	21	2	—	2	62	64	2	—	2
<i>Adjustments:</i>										
Franchise agreement amortization (a)	1	1	—	—	—	2	2	—	—	—
Adjusted Operating Income	62	58	4	—	4	182	165	17	—	17

System-wide Sales

During the three months ended September 30, 2024, PLK system-wide sales growth of (0.6)% was primarily driven by comparable sales of (4.0)%, partially offset by net restaurant growth of 4.1%. During the nine months ended September 30, 2024, PLK system-wide sales growth of 4.6% was primarily driven by net restaurant growth of 4.1% and comparable sales of 0.6%.

Company Restaurant Sales and Expenses

During the three and nine months ended September 30, 2024, the increases in Company restaurant sales and expenses were driven by PLK Company restaurants acquired in connection with the Carrols Acquisition.

Franchise and Property

During the three months ended September 30, 2024, franchise and property revenues remained relatively consistent with the prior year.

During the nine months ended September 30, 2024, the increase in franchise and property revenues was primarily driven by an increase in royalties, as a result of an increase in system-wide sales.

During the three and nine months ended September 30, 2024, franchise and property expenses remained consistent with the prior year.

Advertising and Other Services

During the three months ended September 30, 2024, the decrease in advertising revenues and other services was primarily driven by a decrease in advertising fund contributions by franchisees, as a result of a decrease in system-wide sales and PLK Company restaurants acquired in connection with the Carrols Acquisition.

During the nine months ended September 30, 2024, the increase in advertising revenues and other services was primarily driven by an increase in advertising fund contributions by franchisees as a result of an increase in system-wide sales and an increase in tech fees.

During the three months ended September 30, 2024, the decrease in advertising expenses and other services was primarily driven by the decrease in advertising revenues and other services.

During the nine months ended September 30, 2024, the increase in advertising expenses and other services was primarily driven by the increase in advertising revenues and other services.

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Segment G&A

During the three and nine months ended September 30, 2024, Segment G&A remained relatively consistent with the prior year.

<i>FHS Segment</i>	Three Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact	Nine Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact
	2024	2023				2024	2023			
<i>Revenues:</i>										
Company restaurant sales	\$ 10	\$ 10	\$ —	\$ —	\$ —	\$ 31	\$ 30	\$ 1	\$ —	\$ 1
Franchise and property revenues	27	27	1	—	1	79	73	6	—	6
Advertising revenues and other services	15	15	1	—	1	47	33	13	—	13
Total revenues	53	51	2	—	2	156	136	20	—	20
Company restaurant expenses	9	8	(1)	—	(1)	27	25	(1)	—	(1)
Franchise and property expenses	4	4	—	—	—	7	7	—	—	—
Advertising expenses and other services	16	15	(1)	—	(1)	48	34	(14)	—	(14)
Segment G&A	11	14	3	—	3	39	40	1	—	1
<i>Adjustments:</i>										
Franchise agreement amortization (a)	—	—	—	—	—	1	1	—	—	—
Adjusted Operating Income	12	10	2	—	2	35	30	5	—	5

System-wide Sales

During the three months ended September 30, 2024, FHS system-wide sales growth of (1.3)% was primarily driven by comparable sales of (4.8)% and net restaurant growth of 3.9%. During the nine months ended September 30, 2024, FHS system-wide sales growth of 1.9% was primarily driven by net restaurant growth of 3.9%, partially offset by comparable sales of (1.6)%.

Segment Results

During the three months ended September 30, 2024, all revenues and expenses remained relatively consistent with the prior year.

During the nine months ended September 30, 2024, the most significant changes were related to advertising revenues and other services and advertising expenses and other services which primarily reflect modification of the advertising fund arrangements to be more consistent with those of our other brands.

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<i>INTL Segment</i>	Three Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact	Nine Months Ended September 30,		Variance	FX Impact (a)	Variance Excluding FX Impact
	2024	2023				2024	2023			
			Favorable / (Unfavorable)					Favorable / (Unfavorable)		
<i>Revenues:</i>										
Franchise and property revenues	\$ 222	\$ 210	\$ 12	\$ (4)	\$ 16	\$ 637	\$ 600	\$ 36	\$ (16)	\$ 52
Advertising revenues and other services	20	18	3	—	3	61	50	11	—	11
Total revenues	243	228	15	(5)	19	698	650	48	(15)	63
Franchise and property expenses	8	1	(7)	—	(7)	20	10	(10)	—	(10)
Advertising expenses and other services	25	20	(5)	—	(6)	70	55	(15)	—	(15)
Segment G&A	48	49	1	(1)	2	150	140	(10)	(2)	(9)
<i>Adjustments:</i>										
Franchise agreement amortization (a)	3	3	1	—	1	10	8	2	—	2
Adjusted Operating Income	166	161	5	(5)	10	468	452	16	(17)	33

System-wide Sales

During the three months ended September 30, 2024, INTL system-wide sales growth of 8.0% was primarily driven by net restaurant growth of 7.6% and comparable sales of 1.8%. During the nine months ended September 30, 2024, INTL system-wide sales growth of 9.5% was primarily driven by net restaurant growth of 7.6% and comparable sales of 2.8%.

Franchise and Property

During the three and nine months ended September 30, 2024, the increases in franchise and property revenues were primarily driven by increases in royalties, primarily at Burger King, as a result of increases in system-wide sales, partially offset by an unfavorable FX Impact.

During the three and nine months ended September 30, 2024, the increases in franchise and property expenses were primarily related to bad debt expenses in the current year compared to bad debt recoveries in the prior year.

Advertising and Other Services

During the three and nine months ended September 30, 2024, the increases in advertising revenues and other services were primarily driven by increases in advertising fund contributions from franchisees and vendors in the limited number of markets where we manage the advertising funds.

During the three and nine months ended September 30, 2024, the increases in advertising expenses and other services were primarily driven by increases in advertising revenues and timing of advertising expenses.

Segment G&A

During the three months ended September 30, 2024, Segment G&A remained relatively consistent with the prior year.

During the nine months ended September 30, 2024, the increase in Segment G&A was primarily driven by higher salary and employee-related costs for non-restaurant employees.

Non-GAAP Reconciliations

The table below contains information regarding Adjusted Operating Income, which is a non-GAAP measure. This non-GAAP measure does not have a standardized meaning under U.S. GAAP and may differ from a similar captioned measure of other companies in our industry. We believe this non-GAAP measure is useful to investors in assessing our operating performance, as it provides them with the same tools that management uses to evaluate our performance and is responsive to questions we receive from both investors and analysts. By disclosing this non-GAAP measure, we intend to provide investors with a consistent comparison of our operating results and trends for the periods presented. Adjusted Operating Income is defined as income from operations excluding (i) franchise agreement and reacquired franchise rights intangible asset 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

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non-operating activities included (i) non-recurring fees and expenses incurred in connection with the Carrols Acquisition and the PLK China Acquisition consisting primarily of professional fees, compensation related expenses and integration costs; (ii) non-recurring fees and expense incurred in connection with the acquisition of Firehouse consisting of professional fees, compensation related expenses and integration costs; and (iii) 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. Management believes that these types of expenses are either not related to our underlying profitability drivers or not likely to re-occur in the foreseeable future and the varied timing, size and nature of these projects may cause volatility in our results unrelated to the performance of our core business that does not reflect trends of our core operations.

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. Adjusted Operating Income, as defined above, also represents our measure of segment income for each of our operating segments.

	Three Months Ended		Variance	Nine Months Ended		Variance
	September 30,		\$	September 30,		\$
	2024	2023	Favorable / (Unfavorable)	2024	2023	Favorable / (Unfavorable)
Income from operations	\$ 577	\$ 582	\$ (5)	\$ 1,784	\$ 1,583	\$ 201
Franchise agreement and reacquired franchise rights amortization	19	7	(12)	38	23	(15)
RH Transaction costs	4	—	(4)	17	—	(17)
FHS Transaction costs	—	—	—	—	19	19
Corporate restructuring and advisory fees	3	5	2	11	17	6
Impact of equity method investments (a)	7	5	(2)	(57)	29	86
Other operating expenses (income), net	42	10	(32)	31	20	(11)
Adjusted Operating Income	<u>\$ 652</u>	<u>\$ 609</u>	<u>\$ 43</u>	<u>\$ 1,824</u>	<u>\$ 1,691</u>	<u>\$ 133</u>
Segment income:						
TH	\$ 284	\$ 269	\$ 15	\$ 777	\$ 727	\$ 50
BK	112	111	1	332	317	15
PLK	62	58	4	182	165	17
FHS	12	10	2	35	30	5
INTL	166	161	5	468	452	16
RH	16	—	16	30	—	30
Adjusted Operating Income	<u>652</u>	<u>609</u>	<u>43</u>	<u>\$ 1,824</u>	<u>\$ 1,691</u>	<u>\$ 133</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.

The increase in Adjusted Operating Income for the three and nine months ended September 30, 2024 reflects an increase in segment income in all of our segments and the inclusion of RH segment income, partially offset by an unfavorable FX Impact of \$10 million and \$26 million, respectively.

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash generated by operations and borrowings available under our Revolving Credit Facility (as defined below). We have used, and may in the future use, our liquidity to make required interest and/or principal payments, to repurchase our common shares, to repurchase Class B exchangeable limited partnership units of Partnership (“Partnership exchangeable units”), to voluntarily prepay and repurchase our or one of our affiliates’ outstanding debt, to fund acquisitions and other investing activities, such as capital expenditures and joint ventures, and to pay dividends on our common shares and make distributions on the Partnership exchangeable units. Our liquidity requirements are significant, primarily due to debt service requirements.

As of September 30, 2024, we had cash and cash equivalents of \$1,176 million and borrowing availability of \$1,247 million under our senior secured revolving credit facility (the “Revolving Credit Facility”). Based on our current level of operations and available cash, we believe our cash flow from operations, combined with our availability under our Revolving Credit Facility, will provide sufficient liquidity to fund our current obligations, debt service requirements and capital spending over the next twelve months.

On May 16, 2024, we completed the acquisition of Carrols for a total cash purchase price of \$543 million. In connection with the Carrols Acquisition, we assumed approximately \$431 million of outstanding debt, all of which was fully extinguished as of June 30, 2024. The cash purchase price and extinguishment of debt assumed in the Carrols Acquisition was funded with a combination of cash on hand and \$750 million of incremental borrowings under our senior secured term loan facility.

In September 2022, Burger King shared the details of its “Reclaim the Flame” plan to accelerate sales growth and drive franchisee profitability. We are investing \$400 million over the life of the plan, comprised of \$150 million in advertising and digital investments (“Fuel the Flame”) and \$250 million in high-quality remodels and relocations, restaurant technology, kitchen equipment, and building enhancements (“Royal Reset”). During the nine months ended September 30, 2024, we funded \$20 million toward the Fuel the Flame investment and \$45 million toward our Royal Reset investment and as of September 30, 2024, we have funded a total of \$93 million toward the Fuel the Flame investment and \$107 million toward our Royal Reset investment since program inception.

In April 2024, Burger King announced plans to extend its Long-Term Royal Reset program with plans to invest an additional \$300 million in remodels from 2025 through 2028. Additionally, as previously announced, we will invest an additional \$500 million to remodel more than 600 Burger King restaurants acquired as part of the Carrols Acquisition.

On May 16, 2024, two of our subsidiaries (the “Borrowers”) entered into a sixth incremental facility amendment and a ninth amendment (the “First 2024 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 \$1,250 million 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”). The First 2024 Amendment increased the existing Term Loan B by \$750 million to \$5,912 million on the same terms as the existing Term Loan B. The First 2024 Amendment also amended the interest rate applicable to the Canadian dollar loans under the Credit Agreement to be based on Term Canadian Overnight Repo Rate Average (“CORRA”). The security and guarantees under the amended Credit Agreement are the same as those under the existing facilities. The First 2024 Amendment made no other material changes to the terms of the Credit Agreement. The proceeds from the increase in the Term Loan B were used, along with cash on hand, to complete the Carrols Acquisition, the repayment of amounts outstanding under the Carrols’ credit agreement and the redemption and discharge of Carrols’ outstanding senior notes.

On June 17, 2024, the Borrowers entered into a tenth amendment to the credit agreement governing our Credit Facilities (the “Second 2024 Amendment”). The Second 2024 Amendment repriced our Term Loan B from an interest rate equal to the Adjusted Term SOFR plus 2.25% to an interest rate equal to the Adjusted Term SOFR Rate plus 1.75% and reduced the outstanding principal amount of the Term Loan B facility from \$5,912 million to \$4,750 million using a portion of the net proceeds from the issuance of the 6.125% First Lien Senior Notes due 2029 (defined below). There were no changes to the maturity of the Term Loan B following this repricing and all other terms are substantially unchanged.

On June 17, 2024, the Borrowers entered into an indenture in connection with the issuance of \$1,200 million of 6.125% first lien senior notes due June 15, 2029 (the “6.125% First Lien Senior Notes due 2029”). No principal payments are due until maturity and interest is paid semi-annually. The net proceeds from the offering of the 6.125% First Lien Senior Notes due 2029 were used to refinance a portion of the Term Loan B, pay related fees and expenses and for general corporate purposes.

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On September 13, 2024, the Borrowers entered into an indenture in connection with the issuance of \$500 million of 5.625% first lien senior notes due September 15, 2029 (the “5.625% First Lien Senior Notes due 2029”). No principal payments are due until maturity and interest is paid semi-annually. The net proceeds from the offering of the 5.625% First Lien Senior Notes due 2029, together with cash on hand, were used to redeem in full our outstanding 5.75% first lien senior notes due 2025 and pay related fees and expenses.

On August 31, 2023, our board of directors approved a share repurchase authorization of up to \$1,000 million of our common shares until September 30, 2025. This approval follows the expiration of RBI's prior two-year authorization to repurchase up to the same \$1,000 million of our common shares. On September 12, 2024, we announced that the Toronto Stock Exchange (the “TSX”) had accepted and approved the notice of our intention to renew the normal course issuer bid, permitting the repurchase up to 31,981,466 common shares for the 12-month period ending on September 15, 2025. Share repurchases under the normal course issuer bid will be made through the facilities of the TSX, the New York Stock Exchange (the “NYSE”) and/or other exchanges and alternative Canadian or foreign trading systems, if eligible, or by such other means as may be permitted by the TSX and/or the NYSE under applicable law. Shareholders may obtain a copy of the prior notice, free of charge, by contacting us. During the nine months ended September 30, 2024, we did not repurchase any RBI common shares on the open market and as of September 30, 2024, had \$500 million remaining under the authorization. Repurchases under the Company's authorization will be made in the open market or through privately negotiated transactions.

We generally provide applicable deferred taxes based on the tax liability or withholding taxes that would be due upon repatriation of cash associated with unremitted earnings. We will continue to monitor our plans for such cash and related foreign earnings but our expectation is to continue to provide taxes on unremitted earnings that we expect to distribute.

On June 20, 2024, Canada enacted tax legislation to restrict the deduction of excessive interest and financing expenses (“EIFEL”) which is effective for taxation years beginning on or after October 1, 2023. As a result, we expect to have restricted interest and financing tax deductions for the current fiscal year, which will increase our cash taxes commencing in 2025.

Debt Instruments and Debt Service Requirements

As of September 30, 2024, our total debt consists primarily of borrowings under our Credit Facilities, amounts outstanding under our 3.875% First Lien Senior Notes due 2028, 3.50% First Lien Senior Notes due 2029, 6.125% First Lien Senior Notes due 2029, 5.625% First Lien Senior Notes due 2029, 4.375% Second Lien Senior Notes due 2028, 4.00% Second Lien Senior Notes due 2030 (together, the “Senior Notes”), TH Facility, and obligations under finance leases. For further information about our total debt, see Note 11 to the accompanying unaudited condensed consolidated financial statements included in this report.

As of September 30, 2024, there was \$6,013 million outstanding principal amount under our Term Loan Facilities with a weighted average interest rate of 6.49%. The interest rate applicable to borrowings under our Term Loan A and Revolving Credit Facility is, at our option, either (i) a base rate, subject to a floor of 1.00%, plus an applicable margin varying from 0.00% to 0.50%, or (ii) Term SOFR (Secured Overnight Financing Rate), subject to a floor of 0.00%, plus an applicable margin varying between 0.75% to 1.50%, in each case, determined by reference to a net first lien leverage based pricing grid. The interest rate applicable to borrowings under our Term Loan B is, at our option, either (i) a base rate, subject to a floor of 1.00%, plus an applicable margin of 0.75%, or (ii) Term SOFR, subject to a floor of 0.00%, plus an applicable margin of 1.75%.

Based on the amounts outstanding under the Term Loan Facilities and SOFR as of September 30, 2024, subject to a floor of 0.00%, required debt service for the next twelve months is estimated to be approximately \$398 million in interest payments and \$71 million in principal payments. In addition, based on SOFR as of September 30, 2024, net cash settlements that we expect to receive on our \$4,120 million interest rate swaps are estimated to be approximately \$106 million for the next twelve months. Based on the amounts outstanding at September 30, 2024, required debt service for the next twelve months on all of the Senior Notes outstanding is approximately \$337 million in interest payments and no principal payments. Based on the amounts outstanding under the TH Facility as of September 30, 2024, required debt service for the next twelve months is estimated to be approximately \$7 million in interest payments and \$17 million in principal payments.

Restrictions and Covenants

As of September 30, 2024, we were in compliance with all applicable financial debt covenants under the Credit Facilities, the TH Facility, and the indentures governing our Senior Notes.

Cash Dividends

On October 4, 2024, we paid a dividend of \$0.58 per common share and Partnership made a distribution in respect of each Partnership exchangeable unit in the amount of \$0.58 per Partnership exchangeable unit.

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Our board of directors has declared a cash dividend of \$0.58 per common share, which will be paid on January 3, 2025 to common shareholders of record on December 20, 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.

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

Outstanding Security Data

As of October 30, 2024, we had outstanding 323,707,500 common shares and one special voting share. The special voting share is held by a trustee, entitling the trustee to that number of votes on matters on which holders of common shares are entitled to vote equal to the number of Partnership exchangeable units outstanding. The trustee is required to cast such votes in accordance with voting instructions provided by holders of Partnership exchangeable units. At any shareholder meeting of the Company, holders of our common shares vote together as a single class with the special voting share except as otherwise provided by law. For information on our share-based compensation and our outstanding equity awards, see Note 13 to the audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the U.S. Securities and Exchange Commission (the “SEC”) and Canadian securities regulatory authorities on February 22, 2024.

There were 127,048,577 Partnership exchangeable units outstanding as of October 30, 2024. During the nine months ended September 30, 2024, Partnership exchanged 6,549,187 Partnership exchangeable units pursuant to exchange notices received. The holders of Partnership exchangeable units have the right to require Partnership to exchange all or any portion of such holder’s Partnership exchangeable units for our common shares at a ratio of one share for each Partnership exchangeable unit, subject to our right as the general partner of Partnership to determine to settle any such exchange for a cash payment in lieu of our common shares.

Comparative Cash Flows

Operating Activities

Cash provided by operating activities was \$1,022 million for the nine months ended September 30, 2024, compared to \$920 million during the same period in the prior year. The increase in cash provided by operating activities was primarily driven by an increase in segment income in TH, BK, PLK, INTL and FHS, the inclusion of RH segment income, and an increase in cash provided for working capital, partially offset by an increase in income tax payments and an increase in interest payments.

Investing Activities

Cash used for investing activities was \$616 million for the nine months ended September 30, 2024, compared to \$11 million during the same period in the prior year. This change was primarily driven by the Carrols Acquisition, an increase in capital expenditures and payments for the acquisition of non-Carrols restaurants from franchisees.

Financing Activities

Cash used for financing activities was \$365 million for the nine months ended September 30, 2024, compared to \$774 million during the same period in the prior year. The change in cash used for financing activities was driven primarily by an increase in proceeds from long-term debt and the non-recurrence of share repurchases in the current year, partially offset by an increase in repayments of long-term debt, including debt assumed in the Carrols Acquisition.

Contractual Obligations

There have been no significant changes to our contractual obligations as disclosed in our 2023 Annual Report filed on Form 10-K except as described herein and in Note 4 – *Carrols Acquisition* in the notes to the accompanying unaudited condensed consolidated financial statements.

Critical Accounting Policies and Estimates

For information regarding our Critical Accounting Policies and Estimates, see the “Critical Accounting Policies and Estimates” section of “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K, filed with the SEC on February 22, 2024.

New Accounting Pronouncements

See Note 3 – *New Accounting Pronouncements* in the notes to the accompanying unaudited condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There were no material changes during the nine months ended September 30, 2024 to the disclosures made in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC and Canadian securities regulatory authorities on February 22, 2024.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was conducted under the supervision and with the participation of management, including the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the Company’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and Exchange Act Rules 15d-15(e)) as of September 30, 2024. Based on that evaluation, the CEO and CFO concluded that the Company’s disclosure controls and procedures were effective as of such date.

Changes in Internal Controls

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

Internal Control Over Financial Reporting

The Company’s management, including the CEO and CFO, confirm there were no changes in the Company’s internal control over financial reporting during the three months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting, other than the integration of Carrols as described above.

Special Note Regarding Forward-Looking Statements

Certain information contained in this report, including information regarding future financial performance and plans, targets, aspirations, expectations, and objectives of management, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of Canadian securities laws. We refer to all of these as forward-looking statements. Forward-looking statements are forward-looking in nature and, accordingly, are subject to risks and uncertainties. These forward-looking statements can generally be identified by the use of words such as “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “continue”, “will”, “may”, “could”, “would”, “target”, “potential” and other similar expressions and include, without limitation, statements regarding our expectations or beliefs regarding (i) the effects of macro-economic trends on our results of operations, business, liquidity, prospects and restaurant operations and those of our franchisees; (ii) our expectation regarding additional investments in Burger King restaurants acquired as part of the Carrols Acquisition; (iii) our future financial obligations, including annual debt service requirements, capital expenditures and dividend payments, our ability to meet such obligations and the source of funds used to satisfy such obligations; (iv) our exposure to changes in interest rates and foreign currency exchange rates and the impact of changes in interest rates and foreign currency exchange rates on the amount of our interest payments, future results of operations and future cash flows; (v) certain tax matters, including our estimates with respect to tax matters and their impact on future periods; (vi) the amount of net cash settlements we expect to pay or receive on our derivative instruments; (vii) certain accounting matters; (viii) RH Transaction Costs and (ix) deferred tax treatment on unremitted earnings.

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Our forward-looking statements, included in this report and elsewhere, represent management's expectations as of the date that they are made. Our forward-looking statements are based on assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. However, these forward-looking statements are subject to a number of risks and uncertainties and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results, level of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements include, among other things, risks related to: (1) our substantial indebtedness, which could adversely affect our financial condition and prevent us from fulfilling our obligations; (2) global economic or other business conditions that may affect the desire or ability of our customers to purchase our products, such as inflationary pressures, high unemployment levels, declines in median income growth, consumer confidence and consumer discretionary spending and changes in consumer perceptions of dietary health and food safety; (3) our relationship with, and the success of, our franchisees and risks related to our nearly fully franchised business model; (4) our franchisees' financial stability and their ability to access and maintain the liquidity necessary to operate their businesses; (5) our supply chain operations; (6) our ownership and leasing of real estate; (7) the effectiveness of our marketing, advertising and digital programs and franchisee support of these programs; (8) significant and rapid fluctuations in interest rates and in the currency exchange markets and the effectiveness of our hedging activity; (9) our ability to successfully implement our domestic and international growth strategy for each of our brands and risks related to our international operations; (10) our reliance on franchisees, including subfranchisees to accelerate restaurant growth; (11) unforeseen events such as pandemics; (12) the ability of the counterparties to our credit facilities' and derivatives' to fulfill their commitments and/or obligations; (13) changes in applicable tax laws or interpretations thereof, and our ability to accurately interpret and predict the impact of such changes or interpretations on our financial condition and results; (14) evolving legislation and regulations in the area of franchise and labor and employment law; (15) our ability to address environmental and social sustainability issues; (16) the conflict between Russia and Ukraine, and the conflict in the Middle East and (17) softening in the consumer environment.

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

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Finally, our future results will depend upon various other risks and uncertainties, including, but not limited to, those detailed in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC and Canadian securities regulatory authorities on February 22, 2024, as well as other materials that we from time to time file with, or furnish to, the SEC or file with Canadian securities regulatory authorities. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this section and elsewhere in this report. Other than as required under securities laws, we do not assume a duty to update these forward-looking statements, whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise.