

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-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.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion together with our audited Consolidated Financial Statements and the related notes thereto included in Part II, Item 8 “Financial Statements and Supplementary Data” of this Annual Report for the year ended December 31, 2023 (our “Annual 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 the Canadian securities laws as described in further detail under “Special Note Regarding Forward-Looking Statements” that is set forth below. Actual results may differ materially from the results discussed in the forward-looking statements because of a number of risks and uncertainties, including the matters discussed in the “Special Note Regarding Forward-Looking Statements” below. In addition, please refer to the risks set forth under the caption “Risk Factors” included in this Annual Report for a further description of risks and uncertainties affecting our business and financial results. Historical trends should not be taken as indicative of future operations and financial results. Other than as required under the U.S. Federal securities laws or the Canadian 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.

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.

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.

All references to “\$” or “dollars” in this report 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.

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 December 31, 2023. 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.

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Beginning with the fourth quarter of 2023, we are reporting results under five operating and reportable segments. This shift in reportable segments reflects how RBI's leadership oversees and manages the business. As a result of this change, our five operating and reportable segments consist of the following:

1. Tim Hortons – all operations of our Tim Hortons brand in Canada and the U.S. (“TH”);
2. Burger King – all operations of our Burger King brand in the U.S. and Canada (“BK”);
3. Popeyes Louisiana Kitchen – all operations of our Popeyes brand in the U.S. and Canada (“PLK”);
4. Firehouse Subs – all operations of our Firehouse Subs brand in the U.S. and Canada (“FHS”); and
5. International – all operations of each of our brands outside the U.S. and Canada (“INTL”).

Prior year amounts presented have been reclassified to conform to this new segment presentation with no effect on previously reported consolidated results.

In addition, we transitioned our definition of segment income from Adjusted EBITDA to Adjusted Operating Income (“AOI”). AOI 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. Unlike Adjusted EBITDA, our previous measure of segment income, AOI includes depreciation and amortization (excluding franchise agreement amortization) as well as share-based compensation and non-cash incentive compensation expense.

We generate revenues 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.

Operating costs and expenses for our segments include:

- cost of sales comprised of (i) 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 as well as (ii) food, paper and labor costs 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 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. We generally manage advertising expenses to equal advertising revenues in the long term, however in some periods there may be a mismatch in the timing of revenues and expenses or higher expenses due to 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.

Firehouse Acquisition

We completed the acquisition of Firehouse Subs on December 15, 2021 for total consideration of approximately \$1,016 million (the “Firehouse Acquisition”). Our 2023 and 2022 consolidated statement of operations includes FHS revenues and segment income for a full fiscal year. Our 2021 consolidated statement of operations included FHS revenues and segment income from the acquisition date of December 15, 2021 through December 26, 2021, the 2021 fiscal year end for FHS.

Key Operating Metrics

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

- System-wide sales growth refers to the percentage change in sales at all 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 nearly all 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.

In our 2022 financial reports, our key operating metrics included results from our franchised Burger King restaurants in Russia, with supplemental disclosure provided excluding these restaurants. We did not generate any new profits from restaurants in Russia in 2022 and 2023. Consequently, beginning in the first quarter of 2023, our reported key operating metrics exclude the results from Russia for 2023 and 2022. Key operating metrics for 2021 include the results from Russia.

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The following table presents our key operating metrics for each of the periods indicated, which have been derived from our internal records. We evaluate our restaurants and assess our business based on these operating metrics. These metrics may differ from those used by other companies in our industry who may define these metrics differently.

Key Business Metrics	2023	2022	2021
System-wide sales growth			
TH	11.0 %	11.7 %	10.4 %
BK	6.9 %	2.8 %	4.2 %
PLK	10.5 %	5.6 %	4.8 %
FHS (b)	7.1 %	N/A	N/A
INTL (c)	17.6 %	25.6 %	28.9 %
Consolidated (a)	12.2 %	12.9 %	13.8 %
FHS (b)	N/A	4.2 %	25.1 %
System-wide sales (\$ in millions)			
TH	\$ 7,245	\$ 6,732	\$ 6,243
BK	\$ 11,474	\$ 10,747	\$ 10,475
PLK	\$ 5,886	\$ 5,338	\$ 5,086
FHS (b)	\$ 1,194	\$ 1,154	N/A
INTL (c)	\$ 17,087	\$ 14,700	\$ 13,691
Consolidated (a)	\$ 42,886	\$ 38,671	\$ 35,495
FHS (b)	N/A	N/A	\$ 1,091
Comparable sales			
TH	10.4 %	10.4 %	10.6 %
BK	7.4 %	2.3 %	4.8 %
PLK	4.8 %	(0.6)%	(1.9)%
FHS (b)	3.8 %	N/A	N/A
INTL (c)	9.0 %	15.4 %	14.2 %
Consolidated (a)	8.1 %	7.9 %	7.9 %
FHS (b)	N/A	0.6 %	20.9 %
Net restaurant growth			
TH	0.1 %	(1.1)%	0.5 %
BK	(3.3)%	(0.6)%	0.7 %
PLK	4.9 %	6.7 %	6.4 %
FHS (b)	3.0 %	2.4 %	N/A
INTL (c)	8.9 %	9.1 %	7.8 %
Consolidated (a)	3.9 %	4.4 %	4.5 %
FHS (b)	N/A	N/A	1.6 %
System Restaurant count			
TH	4,525	4,519	4,571
BK	7,144	7,389	7,433
PLK	3,394	3,235	3,031
FHS (b)	1,265	1,242	1,213
INTL (c)	14,742	13,517	13,208
Consolidated (d)	31,070	29,902	29,456

- (a) Consolidated system-wide sales growth and consolidated comparable sales do not include the results of Firehouse Subs for 2022 and 2021. Consolidated system-wide sales and consolidated net restaurant growth do not include the results of Firehouse Subs for 2021.
- (b) For 2022, FHS system-wide sales growth, system-wide sales, comparable sales and net restaurant growth are for the period from December 27, 2021 through December 31, 2022. FHS 2022 system-wide sales growth and comparable sales figures are shown for information purposes only. FHS figures for 2021 are shown for informational purposes only, consistent with its 2021 fiscal calendar. FHS system-wide sales and restaurant count include 14 FHS restaurants in Puerto Rico ("FHS PR") in 2022 and 2021 but not in 2023.

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For the purpose of calculating 2023 FHS system-wide sales growth, comparable sales and net restaurant growth, we exclude FHS PR in both the current and prior year periods.

- (c) INTL includes FHS PR beginning January 1, 2023. For the purposes of calculating 2023 INTL system-wide sales growth, comparable sales and net restaurant growth, we include FHS PR in both the current and prior year periods.
- (d) As of December 31, 2023, we had 342 alternative format units open, which primarily includes TH self-serves and Tims Express outlets in China, which are not included in restaurant count.

Macro Economic Environment

During 2023 and 2022, there were increases in commodity, labor, and energy costs partially due to the macroeconomic impact of the War in Ukraine and residual impacts from COVID-19. This has resulted in increases in inflation, foreign exchange volatility, rising interest rates and general softening in the consumer environment which have been exacerbated by conflicts in the Middle East. These pressures could have an adverse impact on our business and results of operations if we and our franchisees are not able to manage costs effectively without negatively impacting consumers.

In addition, the global crisis resulting from the spread of COVID-19 impacted our restaurant operations during 2022 and 2021. Certain markets, including Canada and China, were significantly impacted as a result of governments mandated lockdowns. These lockdowns, which have since been lifted, resulted in restrictions to restaurant operations, such as reduced, if any, dine-in capacity, and/or restrictions on hours of operation in those markets.

Consolidated Results of Operations for 2023, 2022 and 2021

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.

Consolidated	2023	2022	2021	2023 vs. 2022			2022 vs. 2021		
				Variance	FX Impact (a)	Variance Excluding FX Impact	Variance	FX Impact	Variance Excluding FX Impact
Favorable / (Unfavorable)									
Revenues:									
Sales	\$ 2,950	\$ 2,819	\$ 2,378	\$ 131	\$ (79)	\$ 210	\$ 441	\$ (79)	\$ 520
Franchise and property revenues	2,903	2,661	2,443	242	(33)	275	218	(84)	302
Advertising revenues and other services	1,169	1,025	918	144	(6)	150	107	(11)	118
Total revenues	7,022	6,505	5,739	517	(118)	635	766	(174)	940
Operating costs and expenses:									
Cost of sales	2,435	2,312	1,890	(123)	63	(186)	(422)	62	(484)
Franchise and property expenses	512	518	489	6	11	(5)	(29)	12	(41)
Advertising expenses and other services	1,273	1,077	986	(196)	7	(203)	(91)	13	(104)
General and administrative expenses	704	631	484	(73)	—	(73)	(147)	10	(157)
(Income) loss from equity method investments	(8)	44	4	52	—	52	(40)	(1)	(39)
Other operating expenses (income), net	55	25	7	(30)	—	(30)	(18)	(9)	(9)
Total operating costs and expenses	4,971	4,607	3,860	(364)	81	(445)	(747)	87	(834)
Income from operations	2,051	1,898	1,879	153	(37)	190	19	(87)	106
Interest expense, net	582	533	505	(49)	1	(50)	(28)	1	(29)
Loss on early extinguishment of debt	16	—	11	(16)	—	(16)	11	—	11
Income before income taxes	1,453	1,365	1,363	88	(36)	124	2	(86)	88
Income tax (benefit) expense	(265)	(117)	110	148	2	146	227	4	223
Net income	\$ 1,718	\$ 1,482	\$ 1,253	\$ 236	\$ (34)	\$ 270	\$ 229	\$ (82)	\$ 311

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- (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.

Sales and Cost of Sales

During 2023, the increase in sales was primarily driven by an increase of \$173 million in our TH segment, an increase of \$26 million in our BK segment and an increase of \$11 million in our PLK segment, partially offset by an unfavorable FX Impact of \$79 million.

During 2022, the increase in sales was primarily driven by an increase of \$460 million in our TH segment, an increase of \$38 million in our FHS segment reflecting a full year, an increase of \$14 million in our PLK segment, and an increase of \$6 million in our BK segment, partially offset by an unfavorable FX Impact of \$79 million.

During 2023, the increase in cost of sales was primarily driven by an increase of \$163 million in our TH segment, an increase of \$17 million in our BK segment and an increase of \$8 million in our PLK segment, partially offset by a favorable FX Impact of \$63 million.

During 2022, the increase in cost of sales was primarily driven by an increase of \$428 million in our TH segment, an increase of \$34 million in our FHS segment reflecting a full year, an increase of \$14 million in our PLK segment, and an increase of \$7 million in our BK segment, partially offset by a favorable FX Impact of \$62 million.

Franchise and Property

During 2023, the increase in franchise and property revenues was primarily driven by an increase of \$108 million in our INTL segment, an increase of \$79 million in our TH segment, an increase of \$44 million in our BK segment, an increase of \$30 million in our PLK segment, and an increase of \$14 million in our FHS segment, partially offset by an unfavorable FX Impact of \$33 million.

During 2022, the increase in franchise and property revenues was primarily driven by an increase of \$105 million in our INTL segment, an increase of \$82 million in our FHS segment reflecting a full year, an increase of \$81 million in our TH segment, an increase of \$20 million in our PLK segment, and an increase of \$15 million in our BK segment, partially offset by an unfavorable FX Impact of \$84 million.

During 2023, franchise and property expenses remained relatively consistent with 2022.

During 2022, the increase in franchise and property expenses was primarily driven by an increase of \$17 million in our INTL segment, an increase of \$8 million in our BK segment, an increase of \$7 million in our TH segment, and an increase of \$6 million in our FHS segment reflecting a full year, partially offset by a favorable FX impact of \$12 million.

Advertising and Other Services

During 2023, the increase in advertising revenues and other services was primarily driven by an increase of \$35 million in our FHS segment, an increase of \$34 million in our TH segment, an increase of \$32 million in our BK segment, an increase of \$32 million in our PLK segment, and an increase of \$17 million in our INTL segment, partially offset by an unfavorable FX Impact of \$6 million.

During 2022, the increase in advertising revenues and other services was primarily driven by an increase of \$45 million in our TH segment, an increase of \$26 million in our PLK segment, an increase of \$20 million in our BK segment, an increase of \$13 million in our FHS segment reflecting a full year, and an increase of \$13 million in our INTL segment, partially offset by an unfavorable FX Impact of \$11 million.

During 2023, the increase in advertising expenses and other services was primarily driven by an increase of \$76 million in our BK segment, an increase of \$37 million in our FHS segment, an increase of \$35 million in our TH segment, an increase of \$34 million in our PLK segment, and an increase of \$19 million in our INTL segment, partially offset by a favorable FX Impact of \$7 million.

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During 2022, the increase in advertising expenses and other services was primarily driven by an increase of \$35 million in our BK segment, an increase of \$28 million in our PLK segment, an increase of \$14 million in our INTL segment, an increase of \$14 million in our TH segment, and an increase of \$12 million in our FHS segment reflecting a full year, partially offset by a favorable FX Impact of \$13 million.

General and Administrative Expenses

Our general and administrative expenses were comprised of the following:

	2023	2022	2021	2023 vs. 2022		2022 vs. 2021	
				\$	%	\$	%
Favorable / (Unfavorable)							
Segment G&A (b):							
TH	\$ 168	\$ 151	\$ 133	\$ (17)	(11)%	\$ (18)	(14)%
BK	145	126	110	(19)	(15)%	(16)	(15)%
PLK	86	72	64	(14)	(19)%	(8)	(13)%
FHS	58	52	1	(6)	(12)%	(51)	NM
INTL	190	160	142	(30)	(19)%	(18)	(13)%
FHS Transaction costs	19	24	18	5	21 %	(6)	(33)%
Corporate restructuring and advisory fees	38	46	16	8	17 %	(30)	(188)%
General and administrative expenses	\$ 704	\$ 631	\$ 484	\$ (73)	(12)%	\$ (147)	(30)%

NM - Not meaningful

(b) Segment G&A includes share-based compensation and non-cash incentive compensation expense of \$194 million, \$136 million and \$102 million for 2023, 2022 and 2021, respectively. Segment G&A excludes income/expenses from non-recurring projects and non-operating activities, such as FHS Transaction costs and Corporate restructuring and advisory fees (both as defined below).

During 2023, the increase in general and administrative expenses was primarily driven by higher share-based compensation and non-cash incentive compensation as well as higher salary and employee-related costs for non-restaurant employees, largely a result of hiring across a number of key areas including operations and franchising. During 2022, the increase in general and administrative expenses was primarily driven by higher salary and employee-related costs for non-restaurant employees, largely a result of hiring across a number of key areas including operations and franchising, the increase in Segment G&A for our FHS segment driven by a full year of results in 2022 and an increase in share-based compensation and non-cash incentive compensation.

During 2023 and 2022, the increases in share-based compensation and non-cash incentive compensation expense were primarily due to an increase in equity awards granted during 2023 and 2022, including equity awards granted to our executive chairman during the fourth quarter of 2022, an increase in expenses related to previously granted performance-based equity awards recognized in 2023, and the non-recurrence of equity award forfeitures during 2021. In addition, the increase in share-based compensation and non-cash incentive compensation expense was also impacted by shorter vesting periods for equity awards granted beginning in 2021.

In connection with the Firehouse Acquisition, we incurred certain non-recurring fees and expenses (“FHS Transaction costs”) consisting of professional fees, compensation related expenses and integration costs. We do not expect to incur additional FHS Transaction costs in the future.

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”). The decrease in Corporate restructuring and advisory fees in 2023 reflects decreased costs associated with corporate restructuring initiatives in 2023 compared to 2022. The increase in Corporate restructuring and advisory fees in 2022 reflects increased costs associated with finalizing restructuring initiatives and execution of restructuring actions in 2022 compared to primarily planning activities in 2021.

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(Income) Loss from Equity Method Investments

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

During 2023, the change in (income) loss from equity method investments was primarily related to our share of a gain recognized by one of our Burger King joint ventures on the sale of equity shares the joint venture held in a subsidiary and the non-recurrence of an impairment charge that we recognized in 2022. For additional information on equity method impairment charges, see Note 6, “*Equity Method Investments*”, of the notes to the consolidated financial statements included in Part II, Item 8 “Financial Statements and Supplementary Data” of our Annual Report.

During 2022, the change in (income) loss from equity method investments was primarily driven by an increase in equity method investment net losses and an impairment charge that we recognized in 2022.

Other Operating Expenses (Income), net

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

	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, \$5 million and \$72 million of which 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 made equity contributions to the Burger King business in China.

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

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

Interest Expense, net

	2023	2022	2021
Interest expense, net	\$ 582	\$ 533	\$ 505
Weighted average interest rate on long-term debt	5.0 %	4.4 %	4.2 %

During 2023, interest expense, net increased primarily due to an increase in the weighted average interest rate driven by increases in interest rates which impacts our variable rate debt and the impact of our September 2023 term loan refinancing.

During 2022, interest expense, net increased primarily due to an increase in long-term debt and an increase in the weighted average interest rate driven by increases in interest rates which impacts our variable debt.

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Income Tax Expense

Our effective tax rate was (18.2)% in 2023 and (8.6)% in 2022. The effective tax rate for 2023 reflects a \$367 million increase in net deferred tax assets related to non-refundable tax credits and certain intangibles recognized in connection with intra-group reorganizations centralizing the management of various international business and financing operations, which reduced the effective tax rate by 25.3%. The effective tax rate for 2023 and 2022 includes a net decrease in tax reserves of \$91 million and \$364 million, respectively, related primarily to expiring statutes of limitations for certain prior tax years which decreased the effective tax rate by 6.2% and 26.7%, respectively. Additionally, our effective tax rate for 2023 was favorably impacted by structural changes implemented in the latter part of 2022.

Our effective tax rate was (8.6)% in 2022 and 8.1% in 2021. The effective tax rate for 2022 and 2021 include net decreases in tax reserves of \$364 million and \$101 million, respectively, related primarily to expiring statutes of limitations for certain prior tax years which decreased the effective tax rate by 26.7% and 7.4%, respectively. The effective tax rates for 2022 and 2021 also reflect the mix of income from multiple tax jurisdictions, and the impact of internal financing arrangements and structural changes.

Net Income

We reported net income of \$1,718 million for 2023 compared to net income of \$1,482 million for 2022. The increase in net income is primarily due to a \$148 million increase in income tax benefit, a \$72 million increase in INTL segment income, a \$53 million favorable change from the impact of equity method investments, a \$33 million increase in TH segment income, a \$16 million increase in PLK segment income, an \$8 million decrease in Corporate restructuring and advisory fees, a \$5 million decrease in FHS Transaction costs, a \$5 million increase in FHS segment income and a \$1 million decrease in franchise agreement amortization. These factors were partially offset by a \$49 million increase in interest expense, net, a \$30 million increase in other operating expenses (income), net, \$16 million loss on early extinguishment of debt in the current year, and a \$10.0 million decrease in BK segment income. Amounts above include a total unfavorable FX Impact to net income of \$34 million.

We reported net income of \$1,482 million for 2022 compared to net income of \$1,253 million for 2021. The increase in net income is primarily due to an income tax benefit of \$117 million in 2022 compared to an income tax expense of \$110 million in 2021, an \$80 million increase in TH segment income, a \$31 million increase in FHS segment income reflecting a full year, a \$14 million increase in INTL segment income, the non-recurrence of an \$11 million loss on early extinguishment of debt, and a \$7 million increase in PLK segment income. These factors were partially offset by a \$34 million unfavorable change from the impact of equity method investments, a \$30 million increase in Corporate restructuring and advisory fees, a \$28 million increase in interest expense, net, a \$25 million decrease in BK segment income, an \$18 million increase in other operating expenses (income), net, and a \$6 million increase in FHS Transaction costs. Amounts above include a total unfavorable FX Impact to net income of \$82 million.

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Segment Results of Operations for 2023, 2022 and 2021

TH Segment				2023 vs. 2022			2022 vs. 2021			
	2023	2022	2021	Variance	FX Impact (a)	Variance Excluding FX Impact	Variance	FX Impact	Variance Excluding FX Impact	
	Favorable / (Unfavorable)									
Revenues:										
Sales	\$ 2,725	\$ 2,631	\$ 2,249	\$ 94	\$ (79)	\$ 173	\$ 381	\$ (78)	\$ 460	
Franchise and property revenues	955	905	853	50	(28)	79	52	(29)	81	
Advertising revenues and other services	292	266	229	26	(8)	34	37	(8)	45	
Total revenues	3,972	3,801	3,331	171	(115)	286	470	(116)	586	
Cost of sales	2,231	2,131	1,765	(100)	63	(163)	(366)	62	(428)	
Franchise and property expenses	325	332	336	7	11	(4)	4	11	(7)	
Advertising expenses and other services	309	282	277	(27)	9	(35)	(5)	10	(14)	
Segment G&A (a)	168	151	133	(17)	5	(22)	(18)	4	(22)	
Adjustments:										
Franchise agreement amortization (b)	6	7	8	—	—	—	(1)	—	(1)	
Cash distributions received from equity method investments	14	13	17	—	—	1	(4)	(1)	(3)	
Segment income	958	925	845	33	(28)	61	80	(30)	110	

- (a) Segment G&A includes share-based compensation and non-cash incentive compensation expense of \$51 million, \$37 million and \$32 million for 2023, 2022 and 2021, respectively.
- (b) Franchise agreement amortization is included in franchise and property expenses.

System-wide Sales

During 2023, the increase in TH system-wide sales of 11.0% was primarily driven by comparable sales of 10.4%, including Canada comparable sales of 10.9%, and net restaurant growth of 0.1%.

Sales and Cost of Sales

During 2023 and 2022, the increases in sales were primarily driven by increases in supply chain sales due to increases in system-wide sales as well as increases in commodity prices passed on to franchisees and increases in CPG sales, partially offset by an unfavorable FX Impact.

During 2023 and 2022, the increases in cost of sales were primarily driven by increases in supply chain sales and CPG sales, as well as increases in commodity prices, partially offset by a favorable FX Impact.

Franchise and Property

During 2023 and 2022, the increases in franchise and property revenues were primarily driven by increases in royalties and rent, as a result of increases in system-wide sales, partially offset by an unfavorable FX Impact.

During 2023 and 2022, franchise and property expenses remained relatively consistent with the prior year.

Advertising and Other Services

During 2023 and 2022, the increases in advertising revenues and other services were driven by increases in advertising fund contributions by franchisees, as a result of increases in system-wide sales, and, to a lesser extent for 2023, revenues from new product and service launches, partially offset by an unfavorable FX Impact.

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During 2023, the increase in advertising expenses and other services was driven primarily by expenses related to new product and service launches as well as increases in advertising revenues and other services. During 2022, the increase in advertising expenses and other services was driven primarily by increases in advertising revenues and other services. Additionally, during 2022, the increase was partially offset by the non-recurrence of our support behind the marketing program in Canada during 2021.

Segment G&A

During 2023, the increase in Segment G&A was primarily driven by higher share-based compensation and non-cash incentive compensation, partially offset by a favorable FX Impact.

During 2022, the increase in Segment G&A was primarily driven by an increase in professional services, higher share-based compensation and non-cash incentive compensation and higher salary and employee-related costs for non-restaurant employees, partially offset by a favorable FX Impact.

<i>BK Segment</i>	2023	2022	2021	2023 vs. 2022			2022 vs. 2021		
				Variance	FX Impact (a)	Variance Excluding FX Impact	Variance	FX Impact	Variance Excluding FX Impact
Favorable / (Unfavorable)									
<i>Revenues:</i>									
Sales	\$ 97	\$ 70	\$ 64	\$ 26	\$ —	\$ 26	\$ 6	\$ —	\$ 6
Franchise and property revenues	731	688	674	43	(1)	44	14	(1)	15
Advertising revenues and other services	470	438	419	32	(1)	32	19	(1)	20
Total revenues	1,297	1,196	1,156	101	(2)	103	40	(2)	42
Cost of sales	90	74	66	(17)	—	(17)	(7)	—	(7)
Franchise and property expenses	144	144	137	—	—	—	(7)	—	(8)
Advertising expenses and other services	543	467	433	(75)	1	(76)	(35)	1	(35)
Segment G&A (a)	145	126	110	(19)	—	(19)	(16)	—	(16)
<i>Adjustments:</i>									
Franchise agreement amortization (b)	11	11	11	—	—	—	—	—	—
Segment income	386	396	421	(10)	(1)	(9)	(25)	(1)	(24)

(a) Segment G&A includes share-based compensation and non-cash incentive compensation expense of \$41 million, \$30 million and \$25 million for 2023, 2022 and 2021, respectively.

System-wide Sales

During 2023, the increase in BK system-wide sales of 6.9% was primarily driven by comparable sales of 7.4%, including US comparable sales of 7.5%, partially offset by net restaurant growth of (3.3)%.

Sales and Cost of Sales

During 2023, the increases in sales and cost of sales was primarily driven by increases in Company restaurants due to franchisee restaurant acquisitions during 2023.

During 2022, sales and cost of sales remained relatively consistent with the prior year.

Franchise and Property

During 2023 and 2022, the increases in franchise and property revenues were primarily driven by increases in royalties, as a result of increases in system-wide sales.

During 2023, franchise and property expenses remained consistent with the prior year. During 2022, the increase in franchise and property expenses was primarily related to bad debt expenses in 2022 compared to bad debt recoveries in 2021.

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Advertising and Other Services

During 2023 and 2022, the increases in advertising revenues and other services were primarily driven by increases in advertising fund contributions by franchisees, as a result of increases in system-wide sales.

During 2023 and 2022, the increases in advertising expenses and other services were driven primarily by increases in advertising revenues and other services, increases in expenses related to our support behind the marketing program in the U.S. and technology initiatives.

Segment G&A

During 2023, the increase in Segment G&A was primarily driven by higher share-based compensation and non-cash incentive compensation as well as higher salary and employee-related costs for non-restaurant employees, largely a result of hiring across a number of key areas including operations and franchising.

During 2022, the increase in Segment G&A was primarily driven by higher salary and employee-related costs for non-restaurant employees, largely a result of hiring across a number of key areas including operations and franchising, and higher share-based compensation and non-cash incentive compensation.

PLK Segment				2023 vs. 2022			2022 vs. 2021			
	2023	2022	2021	Variance	FX Impact (a)	Variance Excluding FX Impact	Variance	FX Impact	Variance Excluding FX Impact	
	Favorable / (Unfavorable)									
Revenues:										
Sales	\$ 89	\$ 78	\$ 64	\$ 11	\$ —	\$ 11	\$ 14	\$ —	\$ 14	
Franchise and property revenues	314	284	265	30	(1)	30	19	(1)	20	
Advertising revenues and other services	289	256	230	32	—	32	26	—	26	
Total revenues	692	619	559	73	(1)	74	60	(1)	60	
Cost of sales	80	72	58	(8)	—	(8)	(14)	—	(14)	
Franchise and property expenses	12	11	8	(1)	—	(1)	(3)	—	(3)	
Advertising expenses and other services	295	261	233	(34)	—	(34)	(28)	—	(28)	
Segment G&A (a)	86	72	64	(14)	—	(14)	(8)	—	(8)	
Adjustments:										
Franchise agreement amortization (b)	2	2	2	—	—	—	—	—	—	
Segment income	221	205	198	16	—	16	7	(1)	8	

(a) Segment G&A includes share-based compensation and non-cash incentive compensation expense of \$26 million, \$20 million, and \$14 million for 2023, 2022 and 2021, respectively.

System-wide Sales

During 2023, the increase in PLK system-wide sales of 10.5% was primarily driven by comparable sales of 4.8%, including US comparable sales of 4.8%, and net restaurant growth of 4.9%.

Sales and Cost of Sales

During 2023 and 2022, the increases in sales and cost of sales was primarily driven by increases in comparable sales for Company restaurants.

Franchise and Property

During 2023 and 2022, the increases in franchise and property revenues were primarily driven by increases in royalties, as a result of increases in system-wide sales.

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During 2023 and 2022, franchise and property expenses remained relatively consistent with the prior year.

Advertising and Other Services

During 2023 and 2022, the increases in advertising revenues and other services were primarily driven by increases in advertising fund contributions by franchisees, as a result of increases in system-wide sales.

During 2023 and 2022, the increases in advertising expenses and other services were primarily driven by increases in advertising revenues and other services.

Segment G&A

During 2023 and 2022, the increases in Segment G&A were primarily driven by higher share-based compensation and non-cash incentive compensation as well as higher salary and employee-related costs for non-restaurant employees, largely a result of hiring across a number of key areas including operations and franchising.

FHS Segment				2023 vs. 2022			2022 vs. 2021			
	2023	2022	2021	Variance	FX Impact (a)	Variance Excluding FX Impact	Variance	FX Impact	Variance Excluding FX Impact	
	Favorable / (Unfavorable)									
Revenues:										
Sales	\$ 39	\$ 40	\$ 1	\$ —	\$ —	\$ —	\$ 38	\$ —	\$ 38	
Franchise and property revenues	99	85	4	14	—	14	82	—	82	
Advertising revenues and other services	48	13	—	35	—	35	13	—	13	
Total revenues	187	138	5	49	—	49	133	—	133	
Cost of sales	34	35	1	1	—	1	(34)	—	(34)	
Franchise and property expenses	9	7	1	(1)	—	(1)	(6)	—	(6)	
Advertising expenses and other services	49	12	—	(37)	—	(37)	(12)	—	(12)	
Segment G&A (a)	58	52	1	(6)	—	(6)	(51)	—	(51)	
Adjustments:										
Franchise agreement amortization (b)	1	1	—	—	—	—	1	—	1	
Segment income	38	33	2	5	—	5	31	—	31	

(a) Segment G&A includes share-based compensation and non-cash incentive compensation expense of \$17 million and \$8 million for 2023 and 2022, respectively, with none recognized in 2021.

System-wide Sales

During 2023, the increase in FHS system-wide sales of 7.1% was primarily driven by comparable sales of 3.8%, including US comparable sales of 4.2%, and net restaurant growth of 3.0%.

Franchise and Property

During 2023, the increases in franchise and property revenues were primarily driven by increases in royalties, as a result of increases in system-wide sales.

During 2023, franchise and property expenses remained relatively consistent with the prior year.

Advertising and Other Services

During 2023, the increases in advertising revenues and other services as well as advertising expenses and other services reflects modification of the advertising fund arrangements to be more consistent with those of our other brands and increases in advertising fund contributions by franchisees, with a corresponding increase in advertising expenses, as a result of increases in system-wide sales.

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Segment G&A

During 2023, the increase in Segment G&A was primarily driven by higher share-based compensation and non-cash incentive compensation expense.

INTL Segment				2023 vs. 2022			2022 vs. 2021		
	2023	2022	2021	Variance	FX Impact (a)	Variance Excluding FX Impact	Variance	FX Impact	Variance Excluding FX Impact
	Favorable / (Unfavorable)								
Revenues:									
Sales	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Franchise and property revenues	804	699	647	105	(3)	108	52	(53)	105
Advertising revenues and other services	70	51	41	19	3	17	10	(3)	13
Total revenues	874	750	688	124	—	124	62	(55)	118
Cost of sales	—	—	—	—	—	—	—	—	—
Franchise and property expenses	22	24	7	2	—	2	(17)	—	(17)
Advertising expenses and other services	77	54	43	(23)	(3)	(19)	(11)	3	(14)
Segment G&A (a)	190	160	142	(30)	(4)	(26)	(18)	4	(22)
Adjustments:									
Franchise agreement amortization (b)	11	10	11	—	—	—	(1)	(1)	—
Cash distributions received from equity method investments	—	1	4	(1)	—	(1)	(2)	—	(2)
Segment income	597	525	511	72	(8)	80	14	(49)	63

- (a) Segment G&A includes share-based compensation and non-cash incentive compensation expense of \$58 million, \$41 million, and \$31 million for 2023, 2022 and 2021, respectively.

System-wide Sales

During 2023, the increase in INTL system-wide sales of 17.6% was primarily driven by comparable sales of 9.0% and net restaurant growth of 8.9%.

Franchise and Property

During 2023 and 2022, 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 2023, franchise and property expenses remained relatively consistent with the prior year. During 2022, the increase in franchise and property expenses was primarily related to Burger King due to bad debt expenses in 2022, inclusive of Russia, compared to bad debt recoveries in 2021.

Advertising and Other Services

During 2023 and 2022, the increases in advertising revenues and other services were primarily driven by increases in advertising fund contributions by franchisees in the limited number of markets where we manage the advertising funds, as a result of increases in system-wide sales, and to a lesser extent an increase in tech revenues.

During 2023 and 2022, the increases in advertising expenses and other services were driven primarily by increases in advertising revenues and increases in technology initiatives.

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Segment G&A

During 2023 and 2022, the increases in Segment G&A were primarily driven by higher share-based compensation and non-cash incentive compensation as well as higher salary and employee-related costs for non-restaurant employees, largely a result of hiring across a number of key areas including operations and franchising.

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 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; 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. 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 five operating segments.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2023 vs. 2022</u>	<u>2022 vs. 2021</u>
	<u>Favorable / (Unfavorable)</u>				
Income from operations	\$ 2,051	\$ 1,898	\$ 1,879	\$ 153	\$ 19
Franchise agreement amortization	31	32	32	1	—
FHS Transaction costs	19	24	18	5	(6)
Corporate restructuring and advisory fees	38	46	16	8	(30)
Impact of equity method investments (a)	6	59	25	53	(34)
Other operating expenses (income), net	55	25	7	(30)	(18)
Adjusted Operating Income	<u>\$ 2,200</u>	<u>\$ 2,084</u>	<u>\$ 1,977</u>	<u>\$ 116</u>	<u>\$ 107</u>
Segment income:					
TH	\$ 958	\$ 925	\$ 845	\$ 33	\$ 80
BK	386	396	421	(10)	(25)
PLK	221	205	198	16	7
FHS	38	33	2	5	31
INTL	597	525	511	72	14
Adjusted Operating Income	<u>\$ 2,200</u>	<u>\$ 2,084</u>	<u>\$ 1,977</u>	<u>\$ 116</u>	<u>\$ 107</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 Adjusted Operating Income.

The increase in Adjusted Operating Income for 2023 reflects an increase in INTL segment income, TH segment income, PLK segment income and FHS segment income, partially offset by a decrease in BK segment income and includes an unfavorable FX Impact of \$37 million.

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The increase in Adjusted Operating Income for 2022 reflects an increase in TH segment income, the inclusion of a full year of FHS in 2022 compared to the period December 15 through December 26 in 2021, and increases in INTL segment income and PLK segment income, partially offset by a decrease in BK segment income and includes an unfavorable FX Impact of \$80 million.

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash generated by operations and borrowings available under our Revolving Credit Facility (as defined below). We have used, and may in the future use, our liquidity to make required interest and/or principal payments, to repurchase our common shares, to repurchase Class B exchangeable limited partnership units of Partnership (“Partnership exchangeable units”), to voluntarily prepay and repurchase our or one of our affiliate’s outstanding debt, to fund 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.

At December 31, 2023, we had cash and cash equivalents of \$1,139 million and borrowing availability of \$1,248 million under our Revolving Credit Facility. Based on our current level of operations and available cash, we believe our cash flow from operations, combined with 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 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 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, comprising \$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 2023, we funded \$60 million toward the Fuel the Flame investment and \$44 million toward our Royal Reset investment and as of December 31, 2023, we have funded a total of \$73 million toward the Fuel the Flame investment and \$61 million toward our Royal Reset investment.

On January 16, 2024, we announced that we have reached an agreement to acquire all of Carrols Restaurant Group, Inc. (“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. 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 of approximately \$200 million and term loan debt of approximately \$750 million for which RBI has received a financing commitment.

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 \$1,000 million of our common shares. On September 13, 2023, 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 30,895,637 common shares for the 12-month period ending on September 14, 2024. 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

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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 2023, we repurchased and cancelled 7,639,137 RBI common shares on the open market for \$500 million and as of December 31, 2023 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.

Debt Instruments and Debt Service Requirements

As of December 31, 2023, our long-term debt consists primarily of borrowings under our Credit Facilities, amounts outstanding under our 3.875% First Lien Senior Notes due 2028, 5.75% First Lien Senior Notes due 2025, 3.50% 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, RE Facility (each as defined below), and obligations under finance leases. For further information about our long-term debt, see Note 8, "*Long Term Debt*," of the notes to the consolidated financial statements included in Part II, Item 8 "Financial Statements and Supplementary Data" of our Annual Report.

Credit Facilities

As of December 31, 2023, there was \$6,450 million outstanding principal amount under our Term Loan Facilities with a weighted average interest rate of 7.41%. 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 1.25%, or (ii) Term SOFR, subject to a floor of 0.00%, plus an applicable margin of 2.25%.

Based on the amounts outstanding under the Term Loan Facilities and SOFR as of December 31, 2023, subject to a floor of 0.00%, required debt service for the next twelve months is estimated to be approximately \$484 million in interest payments and \$52 million in principal payments. In addition, based on SOFR as of December 31, 2023, net cash settlements that we expect to receive on our \$4,000 million interest rate swaps are estimated to be approximately \$136 million for the next twelve months. We may prepay the Term Loan Facilities in whole or in part at any time. Additionally, subject to certain exceptions, the Term Loan Facilities may be subject to mandatory prepayments using (i) proceeds from non-ordinary course asset dispositions, (ii) proceeds from certain incurrences of debt or (iii) a portion of our annual excess cash flows based upon certain leverage ratios.

As of December 31, 2023, we had no amounts outstanding under our Revolving Credit Facility (including revolving loans, swingline loans and letters of credit), had \$2 million of letters of credit issued against the Revolving Credit Facility, and our borrowing availability was \$1,248 million. Funds available under the Revolving Credit Facility may be used to repay other debt, finance debt or share repurchases, fund acquisitions or capital expenditures, and for other general corporate purposes. We have a \$125 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. We are also required to pay (i) letters of credit fees on the aggregate face amounts of outstanding letters of credit plus a fronting fee to the issuing bank and (ii) administration fees. The interest rate applicable to amounts drawn under each letter of credit ranges from 0.75% to 1.50%, depending on our net first lien leverage ratio.

Obligations under the Credit Facilities are guaranteed on a senior secured basis, jointly and severally, by 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.

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Senior Notes

The Borrowers entered into indentures in connection with the issuance of the following senior notes (collectively the “Senior Notes Indentures”):

<u>Amount (in millions)</u>	<u>Interest Rate</u>	<u>Lien Priority</u>	<u>Due Date</u>
\$1,550	3.875%	First lien	January 15, 2028
\$500	5.75%	First lien	April 15, 2025
\$750	3.50%	First lien	February 15, 2029
\$750	4.375%	Second lien	January 15, 2028
\$2,900	4.00%	Second lien	October 15, 2030

No principal payments are due until maturity and interest is paid semi-annually.

The Borrowers may redeem a series of senior notes, in whole or in part, at any time at the redemption prices set forth in the applicable Senior Notes Indenture; provided that if the redemption is prior to February 15, 2024 for the 3.50% First Lien Senior Notes, and October 15, 2025 for the 4.00% Second Lien Senior Notes, it will instead be at a price equal to 100% of the principal amount redeemed plus a “make-whole” premium, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. The Senior Notes Indentures also contain redemption provisions related to tender offers, change of control and equity offerings, among others.

Based on the amounts outstanding at December 31, 2023, required debt service for the next twelve months on all of the senior notes outstanding is approximately \$264 million in interest payments.

TH Facility and RE 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%.

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%.

Based on the amounts outstanding under the TH Facility as of December 31, 2023, required debt service for the next twelve months is estimated to be approximately \$9 million in interest payments and \$15 million in principal payments. Based on the amounts outstanding under the RE Facility as of December 31, 2023, required debt service for the next twelve months is not material.

Restrictions and Covenants

Our Credit Facilities and 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. Under the Credit Facilities, the Borrowers are not permitted to exceed a net 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 quarter of 2020, any amounts are outstanding under the Term Loan A and/or outstanding revolving loans, swingline loans and certain letters of credit exceed 30.0% of the commitments under the Revolving Credit Facility.

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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 all applicable financial debt covenants under the Credit Facilities, the TH Facility, RE Facility and the Senior Notes Indentures, and there were no limitations on our ability to draw on the remaining availability under our Revolving Credit Facility.

Cash Dividends

On January 4, 2024, we paid a dividend of \$0.55 per common share and Partnership made a distribution in respect of each Partnership exchangeable unit in the amount of \$0.55 per Partnership exchangeable unit.

On February 13, 2024, we announced that the board of directors had declared a quarterly cash dividend of \$0.58 per common share for the first quarter of 2024, payable 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.

We are targeting a total of \$2.32 in declared dividends per common share and distributions in respect of each Partnership exchangeable unit for 2024.

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.

Outstanding Security Data

As of February 14, 2024, we had outstanding 313,350,086 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 accompanying consolidated financial statements included in Part II, Item 8 “Financial Statements and Supplementary Data” of our Annual Report.

There were 133,597,764 Partnership exchangeable units outstanding as of February 14, 2024. 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 \$1,323 million in 2023, compared to \$1,490 million in 2022. The decrease in cash provided by operating activities was driven by an increase in interest payments, an increase in cash used for working capital, an increase in income tax payments, and a decrease in BK segment income, partially offset by increases in INTL, TH, PLK and FHS segment income.

Cash provided by operating activities was \$1,490 million in 2022, compared to \$1,726 million in 2021. The decrease in cash provided by operating activities was driven by a decrease in cash provided by working capital, an increase in interest payments, an increase in income tax payments, and a decrease in BK segment income, partially offset by increases in TH, FHS, PLK and INTL segment income.

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Investing Activities

Cash provided by investing activities was \$11 million in 2023, compared to cash used for investing activities of \$64 million in 2022. This change was primarily driven by an increase in net proceeds from derivatives, a decrease in payments for other investing activities, the non-recurrence of payments in connection with the acquisition of Firehouse Subs in the prior year, and an increase in net proceeds from disposal of assets, partially offset by an increase in capital expenditures.

Cash used for investing activities was \$64 million in 2022, compared to \$1,103 million in 2021. The change in cash used for investing activities was primarily driven by the Firehouse Subs acquisition in 2021, partially offset by an increase in proceeds from derivatives.

Financing Activities

Cash used for financing activities was \$1,374 million in 2023, compared to \$1,307 million in 2022. The change in cash used for financing activities was driven primarily by an increase in RBI share repurchases, payment of financing costs in the current year, the non-recurrence of proceeds from issuance of RBI common shares and an increase in payment of dividends and distributions. These factors were partially offset by an increase in proceeds from derivatives, an increase in proceeds from long-term debt, and an increase in proceeds from stock option exercises.

Cash used for financing activities was \$1,307 million in 2022, compared to \$1,093 million in 2021. The change in cash used for financing activities was driven primarily by a decrease in proceeds from the issuance of debt and a decrease in proceeds from stock option exercises. These factors were partially offset by a decrease in repayments of debt and finance leases, a decrease in repurchases of RBI common shares, proceeds from derivatives in the current year compared to payments from derivatives in the prior year, and proceeds from issuance of RBI common shares in the current year.

Contractual Obligations and Commitments

Our significant contractual obligations and commitments as of December 31, 2023 include:

Debt Obligations and Interest Payments — Refer to Note 8, “*Long-Term Debt*,” of the notes to the consolidated financial statements included in Part II, Item 8 “Financial Statements and Supplementary Data” of our Annual Report for further information on our obligations and the timing of expected payments. Future interest payments on our outstanding debt as of December 31, 2023 total \$4,355 million, with \$759 million due within the next twelve months. We have estimated our interest payments through the maturity of our Credit Facilities based on SOFR as of December 31, 2023.

Operating and Finance Leases — Refer to Note 9, “*Leases*,” of the notes to the consolidated financial statements included in Part II, Item 8 “Financial Statements and Supplementary Data” of our Annual Report for further information on our obligations and the timing of expected payments.

Purchase Commitments — Purchase obligations include commitments to purchase green coffee, certain food ingredients, advertising expenditures, and obligations related to information technology and service agreements. We have purchase obligations of approximately \$542 million at December 31, 2023, with approximately \$530 million due within the next 12 months.

Unrecognized Tax Benefit — Our contractual obligations and commitments include approximately \$69 million of gross liabilities for unrecognized tax benefits and accrued interest and penalties relating to various tax positions we have taken. These liabilities may increase or decrease over time primarily as a result of tax examinations, and given the status of the examinations, we cannot reliably estimate the period of any cash settlement with the respective taxing authorities. For additional information on unrecognized tax benefits, see Note 10, “*Income Taxes*”, of the notes to the consolidated financial statements included in Part II, Item 8 “Financial Statements and Supplementary Data” of our Annual Report.

Other Commercial Commitments and Off-Balance Sheet Arrangements

From time to time, we enter into agreements under which we guarantee loans made by third parties to qualified franchisees. As of December 31, 2023, no material amounts are outstanding under these guarantees.

Critical Accounting Policies and Estimates

This discussion and analysis of financial condition and results of operations is based on our audited consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires our management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as related disclosures of contingent assets and liabilities. We evaluate our estimates on an ongoing basis and we base our estimates on historical experience and various other assumptions we deem reasonable to the situation. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in our estimates could materially impact our results of operations and financial condition in any particular period.

We consider our critical accounting policies and estimates to be as follows based on the high degree of judgment or complexity in their application:

Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting, or acquisition accounting, in accordance with ASC Topic 805, *Business Combinations*. The acquisition method of accounting involves the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed. This allocation process involves the use of estimates and assumptions made in connection with estimating the fair value of assets acquired and liabilities assumed including cash flows expected to be derived from the use of the asset, the timing of such cash flows, the remaining useful life of assets and applicable discount rates. Acquisition accounting allows for up to one year to obtain the information necessary to finalize the fair value of all assets acquired and liabilities assumed.

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

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 acquisitions. 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 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 units, 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. We use an income approach and a market approach, when available, to estimate a reporting unit’s fair value, which discounts the reporting unit’s projected cash flows using a discount rate we determine from a market participant’s perspective under the income approach or utilizing similar publicly traded companies as guidelines for determining fair value under the market approach. We make significant assumptions when estimating a reporting unit’s projected cash flows, including revenue, driven primarily by net restaurant growth, comparable sales growth and average royalty rates, general and administrative expenses, capital expenditures and income tax rates.

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 any of our Brands, 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 use an income approach to estimate a Brand’s fair value, which discounts the projected Brand-related cash flows using a discount rate we determine from a market participant’s perspective. We make significant assumptions when estimating Brand-related cash flows, including system-wide

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sales, driven by net restaurant growth and comparable sales growth, average royalty rates, brand maintenance costs and income tax rates.

We completed our impairment reviews for goodwill and the Brands as of October 1, 2023, 2022 and 2021 and no impairment resulted. The estimates and assumptions we use to estimate fair values when performing quantitative assessments are highly subjective judgments based on our experience and knowledge of our operations. Significant changes in the assumptions used in our analysis could result in an impairment charge related to goodwill or the Brands. Circumstances that could result in changes to future estimates and assumptions include, but are not limited to, expectations of lower system-wide sales growth, which can be caused by a variety of factors, increases in income tax rates and increases in discount rates.

Long-lived Assets

Long-lived assets (including 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 an asset may not be recoverable. 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.

The impairment test for long-lived assets requires us to assess the recoverability of our long-lived assets by comparing their net carrying value to the sum of undiscounted estimated future cash flows directly associated with and arising from our use and eventual disposition of the assets. If the net carrying value of a group of long-lived assets exceeds the sum of related undiscounted estimated future cash flows, we would be required to record an impairment charge equal to the excess, if any, of net carrying value over fair value.

When assessing the recoverability of our long-lived assets, we make assumptions regarding estimated future cash flows and other factors. Some of these assumptions involve a high degree of judgment and also bear a significant impact on the assessment conclusions. Included among these assumptions are estimating undiscounted future cash flows, including the projection of rental income, capital requirements for maintaining property and residual values of asset groups. We formulate estimates from historical experience and assumptions of future performance, based on business plans and forecasts, recent economic and business trends, and competitive conditions. In the event that our estimates or related assumptions change in the future, we may be required to record an impairment charge.

Accounting for Income Taxes

We record income tax liabilities utilizing known obligations and estimates of potential obligations. A deferred tax asset or liability is recognized whenever there are future tax effects from existing temporary differences and operating loss and tax credit carry-forwards. When considered necessary, we record a valuation allowance to reduce deferred tax assets to the balance that is more-likely-than-not to be realized. We must make estimates and judgments on future taxable income, considering feasible tax planning strategies and taking into account existing facts and circumstances, to determine the proper valuation allowance. When we determine that deferred tax assets could be realized in greater or lesser amounts than recorded, the asset balance and income statement reflect the change in the period such determination is made. Due to changes in facts and circumstances and the estimates and judgments that are involved in determining the proper valuation allowance, differences between actual future events and prior estimates and judgments could result in adjustments to this valuation allowance.

On December 28, 2021, the U.S. Treasury Department released final regulations (T.D. 9959, published in the Federal Register on January 4, 2022) restricting the ability to credit certain foreign taxes, applicable prospectively starting January 1, 2022. Due to these new regulations, we released a portion of the valuation allowance on our foreign tax credit carryforwards during 2022. Based on our current analysis, we do not expect these regulations to have a material, ongoing impact as we anticipate being in an excess credit position prospectively. On November 18, 2022, the U.S. Treasury Department released proposed regulations including additional guidance with respect to the reattribution asset rule for purposes of allocating and apportioning foreign taxes, the cost recovery requirement, and the attribution rule for withholding taxes on royalty payments. We will continue to evaluate the potential effect of these proposed regulations as further guidance becomes available.

We file income tax returns, including returns for our subsidiaries, with federal, provincial, state, local and foreign jurisdictions. We are subject to routine examination by taxing authorities in these jurisdictions. We apply a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate available evidence to determine if it appears more-likely-than-not that an uncertain tax position will be sustained on an audit by a taxing authority, based solely on the technical merits of the tax position. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settling the uncertain tax position.

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Although we believe we have adequately accounted for our uncertain tax positions, from time to time, audits result in proposed assessments where the ultimate resolution may result in us owing additional taxes. We adjust our uncertain tax positions in light of changing facts and circumstances, such as the completion of a tax audit, expiration of a statute of limitations, the refinement of an estimate, and interest accruals associated with uncertain tax positions until they are resolved. We believe that our tax positions comply with applicable tax law and that we have adequately provided for these matters. However, to the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made.

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 will continue to monitor available evidence and our plans for foreign earnings and expect to continue to provide any applicable deferred taxes based on the tax liability or withholding taxes that would be due upon repatriation of amounts not considered permanently reinvested.

We use an estimate of the annual effective income tax rate at each interim period based on the facts and circumstances available at that time, while the actual effective income tax rate is calculated at year-end.

See Note 10, "Income Taxes," of the notes to the consolidated financial statements included in Part II, Item 8 "Financial Statements and Supplementary Data" of our Annual Report for additional information about accounting for income taxes.

New Accounting Pronouncements

See Note 2, "*Significant Accounting Policies – New Accounting Pronouncements,*" of the notes to the consolidated financial statements included in Part II, Item 8 "Financial Statements and Supplementary Data" of our Annual Report for additional information about new accounting pronouncements.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Market Risk

We are exposed to market risks associated with currency exchange rates, interest rates, commodity prices and inflation. In the normal course of business and in accordance with our policies, we manage these risks through a variety of strategies, which may include the use of derivative financial instruments to hedge our underlying exposures. Our policies prohibit the use of derivative instruments for speculative purposes, and we have procedures in place to monitor and control their use.

Currency Exchange Risk

We report our results in U.S. dollars, which is our reporting currency. Our operations that are denominated in currencies other than the U.S. dollar are impacted by fluctuations in currency exchange rates and changes in currency regulations. The majority of TH's operations, income, revenues, expenses and cash flows are denominated in Canadian dollars, which we translate to U.S. dollars for financial reporting purposes. Royalty payments from INTL franchisees in our European markets and in certain other countries are denominated in currencies other than U.S. dollars. Furthermore, franchise royalties from non U.S. franchisees are calculated based on local currency sales; consequently, franchise revenues are still impacted by fluctuations in currency exchange rates. Each of their respective revenues and expenses are translated using the average rates during the period in which they are recognized and are impacted by changes in currency exchange rates.

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We have numerous investments in our foreign subsidiaries, the net assets of which are exposed to volatility in foreign currency exchange rates. We have entered into cross-currency rate swaps to hedge a portion of our net investment in such foreign operations against adverse movements in foreign currency exchange rates. We designated cross-currency rate swaps with a notional value of \$5,000 million between Canadian dollar and U.S. dollar and cross-currency rate swaps with a notional value of \$2,750 million between the Euro and U.S. dollar, as net investment hedges of a portion of our equity in foreign operations in those currencies. The fair value of the cross-currency rate swaps is calculated each period with changes in the fair value of these instruments reported in accumulated other comprehensive income (loss) (“AOCI”) to economically offset the change in the value of the net investment in these designated foreign operations driven by changes in foreign currency exchange rates. The net fair value of these derivative instruments was a liability of \$220 million as of December 31, 2023. The net unrealized loss, net of tax, related to these derivative instruments included in AOCI totaled \$265 million as of December 31, 2023. Such amounts will remain in AOCI until the complete or substantially complete liquidation of our investment in the underlying foreign operations.

We use forward currency contracts to manage the impact of foreign exchange fluctuations on U.S. dollar purchases and payments, such as coffee purchases, made by our TH Canadian operations. However, for a variety of reasons, we do not hedge our revenue exposure in other currencies. Therefore, we are exposed to volatility in those other currencies, and this volatility may differ from period to period. As a result, the foreign currency impact on our operating results for one period may not be indicative of future results.

During 2023, income from operations would have decreased or increased approximately \$114 million if all foreign currencies uniformly weakened or strengthened 10% relative to the U.S. dollar, holding other variables constant, including sales volumes. The effect of a uniform movement of all currencies by 10% is provided to illustrate a hypothetical scenario and related effect on operating income. Actual results will differ as foreign currencies may move in uniform or different directions and in different magnitudes.

Interest Rate Risk

We are exposed to changes in interest rates related to our Term Loan Facilities and Revolving Credit Facility, which bear interest at SOFR plus a spread, subject to a SOFR floor. Generally, interest rate changes could impact the amount of our interest paid and, therefore, our future earnings and cash flows, assuming other factors are held constant. To mitigate the impact of changes in SOFR on interest expense for a portion of our variable rate debt, we have entered into interest rate swaps. We account for these derivatives as cash flow hedges, and as such, the unrealized changes in market value are recorded in AOCI and reclassified into earnings during the period in which the hedged forecasted transaction affects earnings. At December 31, 2023, we had a series of receive-variable, pay-fixed interest rate swaps to hedge the variability in the interest payments on \$4,000 million of our Term Loan Facilities. The total notional value of these interest rate swaps is \$4,000 million, of which \$3,500 million expire on October 31, 2028 and \$500 million expire on September 30, 2026.

Based on the portion of our variable rate debt balance in excess of the notional amount of the interest rate swaps and SOFR as of December 31, 2023, a hypothetical 1.00% increase in SOFR would increase our annual interest paid by approximately \$25 million.

Commodity Price Risk

We purchase certain products, which are subject to price volatility that is caused by weather, market conditions and other factors that are not considered predictable or within our control. However, in our TH business, we employ various purchasing and pricing contract techniques, such as setting fixed prices for periods of up to one year with suppliers, in an effort to minimize volatility of certain of these commodities. Given that we purchase a significant amount of green coffee, we typically have purchase commitments fixing the price for a minimum of six to twelve months depending upon prevailing market conditions. We also typically hedge against the risk of foreign exchange on green coffee prices.

We occasionally take forward pricing positions through our suppliers to manage commodity prices. As a result, we purchase commodities and other products at market prices, which fluctuate on a daily basis and may differ between different geographic regions, where local regulations may affect the volatility of commodity prices.

We do not make use of financial instruments to hedge commodity prices. As we make purchases beyond our current commitments, we may be subject to higher commodity prices depending upon prevailing market conditions at such time. Generally, increases and decreases in commodity costs are largely passed through to franchisee owners, resulting in higher or lower revenues and higher or lower costs of sales from our business. These changes may impact percentage margins as many of

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these products are typically priced based on a fixed-dollar mark-up. We and our franchisees have some ability to increase product pricing to offset a rise in commodity prices, subject to acceptance by franchisees and guests.

Impact of Inflation

While inflation did not have a material impact on our operations in 2021, inflationary pressures in 2023 and 2022 were significant and may continue going forward. Further significant increases in inflation could affect the global, Canadian and U.S. economies and could have an adverse impact on our business, financial condition and results of operations. If several of the various costs in our business experience inflation at the same time, such as commodity price increases beyond our ability to control and increased labor costs, we and our franchisees may not be able to adjust prices to sufficiently offset the effect of the various cost increases without negatively impacting consumer demand.

Disclosures Regarding Partnership Pursuant to Canadian Exemptive Relief

We are the sole general partner of Partnership. To address certain disclosure conditions to the exemptive relief that Partnership received from the Canadian securities regulatory authorities, we are providing a summary of certain terms of the Partnership exchangeable units. This summary is not complete and is qualified in its entirety by the complete text of the Amended and Restated Limited Partnership Agreement, dated December 11, 2014, as amended, between the Company, 8997896 Canada Inc. and each person who is admitted as a Limited Partner in accordance with the terms of the agreement (the “partnership agreement”) and the Voting Trust Agreement, dated December 12, 2014, between the Company, Partnership and Computershare Trust Company of Canada (the “voting trust agreement”), copies of which are available on SEDAR+ at www.sedarplus.ca and at www.sec.gov. For a description of our common shares, see Exhibit 4.1 to this Annual Report.

The Partnership Exchangeable Units

The capital of Partnership consists of three classes of units: the Partnership Class A common units, the Partnership preferred units and the Partnership exchangeable units. Our interest, as the sole general partner of Partnership, is represented by Class A common units and preferred units. The interests of the limited partners is represented by the Partnership exchangeable units.

Summary of Economic and Voting Rights

The Partnership exchangeable units are intended to provide economic rights that are substantially equivalent, and voting rights with respect to us that are equivalent, to the corresponding rights afforded to holders of our common shares. Under the terms of the partnership agreement, the rights, privileges, restrictions and conditions attaching to the Partnership exchangeable units include the following:

- The Partnership exchangeable units are exchangeable at any time, at the option of the holder (the “exchange right”), on a one-for-one basis for our common shares (the “exchanged shares”), subject to our right as the general partner (subject to the approval of the conflicts committee in certain circumstances) to determine to settle any such exchange for 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 cash payment will be the weighted average trading price of the common shares on the NYSE for the 20 consecutive trading days ending on the last business day prior to the exchange date (the “exchangeable units cash amount”). Written notice of the determination of the form of consideration shall be given to the holder of the Partnership exchangeable units exercising the exchange right no later than ten business days prior to the exchange date.
- If a dividend or distribution has been declared and is payable in respect of our common shares, Partnership will make a distribution in respect of each Partnership exchangeable unit in an amount equal to the dividend or distribution in respect of a common share. The record date and payment date for distributions on the Partnership exchangeable units will be the same as the relevant record date and payment date for the dividends or distributions on our common shares.
- If we issue any common shares in the form of a dividend or distribution on our common shares, Partnership will issue to each holder of Partnership exchangeable units, in respect of each exchangeable unit held by such holder, a number of Partnership exchangeable units equal to the number of common shares issued in respect of each common share.
- If we issue or distribute rights, options or warrants or other securities or assets to all or substantially all of the holders of our common shares, Partnership is required to make a corresponding distribution to holders of the Partnership exchangeable units.
- No subdivision or combination of our outstanding common shares is permitted unless a corresponding subdivision or combination of Partnership exchangeable units is made.
- We and our board of directors are prohibited from proposing or recommending an offer for our common shares or for the Partnership exchangeable units unless the holders of the Partnership exchangeable units and the holders of common shares are entitled to participate to the same extent and on an equitably equivalent basis.
- Upon a dissolution and liquidation of Partnership, if Partnership exchangeable units remain outstanding and have not been exchanged for our common shares, then the distribution of the assets of Partnership between holders of our common shares and holders of Partnership exchangeable units will be made on a pro rata basis based on the numbers of common shares and Partnership exchangeable units outstanding. Assets distributable to holders of Partnership exchangeable units will be distributed directly to such holders. Assets distributable in respect of our common shares will be distributed to us. Prior to this pro rata distribution, Partnership is required to pay to us sufficient amounts to fund our expenses or other obligations (to the extent related to our role as the general partner or our business and affairs that are conducted through Partnership or its subsidiaries) to ensure that any property

and cash distributed to us in respect of the common shares will be available for distribution to holders of common shares in an amount per share equal to distributions in respect of each Partnership exchangeable unit. The terms of the Partnership exchangeable units do not provide for an automatic exchange of Partnership exchangeable units into our common shares upon a dissolution or liquidation of Partnership or us.

- Approval of holders of the Partnership exchangeable units is required for an action (such as an amendment to the partnership agreement) that would affect the economic rights of a Partnership exchangeable unit relative to a common share.
- The holders of Partnership exchangeable units are indirectly entitled to vote in respect of matters on which holders of our common shares are entitled to vote, including in respect of the election of our directors, through a special voting share of the Company. 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. The trustee will exercise each vote attached to the special voting share only as directed by the relevant holder of Partnership exchangeable units and, in the absence of instructions from a holder of an exchangeable unit as to voting, will not exercise those votes. Except as otherwise required by the partnership agreement, voting trust agreement or applicable law, the holders of the Partnership exchangeable units are not directly entitled to receive notice of or to attend any meeting of the unitholders of Partnership or to vote at any such meeting.

Exercise of Optional Exchange Right

In order to exercise the exchange right referred to above, a holder of Partnership exchangeable units must deliver to Partnership's transfer agent a duly executed exchange notice together with such additional documents and instruments as the transfer agent and Partnership may reasonably require. The exchange notice must (i) specify the number of Partnership exchangeable units in respect of which the holder is exercising the exchange right and (ii) state the business day on which the holder desires to have Partnership exchange the subject units, provided that the exchange date must not be less than 15 business days nor more than 30 business days after the date on which the exchange notice is received by Partnership. If no exchange date is specified in an exchange notice, the exchange date will be deemed to be the 15th business day after the date on which the exchange notice is received by Partnership. An exercise of the exchange right may be revoked by the exercising holder by notice in writing given to Partnership before the close of business on the fifth business day immediately preceding the exchange date. On the exchange date at Partnership's option, (i) the Company will deliver or cause the transfer agent to deliver for and on behalf of Partnership, to the relevant holder the applicable number of exchanged shares, or (ii) Partnership will deliver or cause the transfer agent to deliver a cheque representing the applicable exchangeable units cash amount, in each case, less any amounts withheld on account of tax.

Offers for Units or Shares

The partnership agreement contains provisions to the effect that if a take-over bid is made for all of the outstanding Partnership exchangeable units and not less than 90% of the Partnership exchangeable units (other than units of Partnership held at the date of the take-over bid by or on behalf of the offeror or its associates, affiliates or persons acting jointly or in concert with the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Partnership exchangeable units held by unitholders who did not accept the offer on the terms offered by the offeror. The partnership agreement further provides that for so long as Partnership exchangeable units remain outstanding, (i) we will not propose or recommend a formal bid for our common shares, and no such bid will be effected with the consent or approval of our board of directors, unless holders of Partnership exchangeable units are entitled to participate in the bid to the same extent and on an equitably equivalent basis as the holders of our common shares, and (ii) we will not propose or recommend a formal bid for Partnership exchangeable units, and no such bid will be effected with the consent or approval of our board of directors, unless holders of the Company's common shares are entitled to participate in the bid to the same extent and on an equitably equivalent basis as the holders of Partnership exchangeable units. Canadian securities regulatory authorities may intervene in the public interest (either on application by an interested party or by staff of a Canadian securities regulatory authority) to prevent an offer to holders of our common shares, Preferred Shares or Partnership exchangeable units being made or completed where such offer is abusive of the holders of one of those security classes that are not subject to that offer.

Merger, Sale or Other Disposition of Assets

As long as any Partnership exchangeable units are outstanding, we cannot consummate a transaction in which all or substantially all of our assets would become the property of any other person or entity. This does not apply to a transaction if such other person or entity becomes bound by the partnership agreement and assumes our obligations, as long as the transaction does not impair in any material respect the rights, duties, powers and authorities of other parties to the partnership agreement.

Mandatory Exchange

Partnership may cause a mandatory exchange of the outstanding Partnership exchangeable units into our common shares in the event that (1) at any time there remain outstanding fewer than 5% of the number of Partnership exchangeable units outstanding as of the effective time of the Merger (other than Partnership exchangeable units held by us and our subsidiaries and as such number of Partnership exchangeable units may be adjusted in accordance with the partnership agreement); (2) any one of the following occurs: (i) any person, firm or corporation acquires directly or indirectly any voting security of the Company and immediately after such acquisition, the acquirer has voting securities representing more than 50% of the total voting power of all the then outstanding voting securities of the Company on a fully diluted basis, (ii) our shareholders shall approve a merger, consolidation, recapitalization or reorganization of the Company, other than any transaction which would result in the holders of outstanding voting securities of the Company immediately prior to such transaction having at least a majority of the total voting power represented by the voting securities of the surviving entity outstanding immediately after such transaction, with the voting power of each such continuing holder relative to other continuing holders not being altered substantially in the transaction; or (iii) our shareholders shall approve a plan of complete liquidation of the Company or an agreement for the sale or disposition of the Company of all or substantially all of our assets, provided that, in each case, we, in our capacity as the general partner of Partnership, determine, in good faith and in our sole discretion, that such transaction involves a bona fide third-party and is not for the primary purpose of causing the exchange of the Partnership exchangeable units in connection with such transaction; or (3) a matter arises in respect of which applicable law provides holders of Partnership exchangeable units with a vote as holders of units of Partnership in order to approve or disapprove, as applicable, any change to, or in the rights of the holders of, the Partnership exchangeable units, where the approval or disapproval, as applicable, of such change would be required to maintain the economic equivalence of the Partnership exchangeable units and our common shares, and the holders of the Partnership exchangeable units fail to take the necessary action at a meeting or other vote of holders of Partnership exchangeable units to approve or disapprove, as applicable, such matter in order to maintain economic equivalence of the Partnership exchangeable units and our common shares.

Special Note Regarding Forward-Looking Statements

Certain information contained in our Annual 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 the Canadian securities laws. We refer to all of these as forward-looking statements. Forward-looking statements are forward-looking in nature and, accordingly, are subject to risks and uncertainties. These forward-looking statements can generally be identified by the use of words such as “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “continue”, “will”, “may”, “could”, “would”, “target”, “potential” and other similar expressions and include, without limitation, statements regarding our expectations or beliefs regarding (i) our ability to become one of the most efficient franchised QSR operators in the world; (ii) the domestic and international growth opportunities for the Tim Hortons, Burger King, Popeyes and Firehouse Subs brands, both in existing and new markets; (iii) our ability to accelerate international development through joint venture structures and master franchise and development agreements and the impact on future growth and profitability of our brands; (iv) the impact of our strategies on the growth of our Tim Hortons, Burger King, Popeyes and Firehouse Subs brands and our profitability; (v) our commitment to technology and innovation, our continued investment in our technology capabilities and our plans and strategies with respect to digital sales, our information systems and technology offerings and investments; (vi) the correlation between our sales, guest traffic and profitability to consumer discretionary spending and the factors that influence spending; (vii) our ability to drive traffic, expand our customer base and allow restaurants to expand into new dayparts through new product innovation; (viii) the benefits accrued from sharing and leveraging best practices among our Tim Hortons, Burger King, Popeyes and Firehouse Subs brands; (ix) the drivers of the long-term success for and competitive position of each of our brands as well as increased sales and profitability of our franchisees; (x) the impact of our cost management initiatives at each of our brands; (xi) the continued use of certain franchise incentives including contributions toward the cost of restaurant remodeling, their impact on our financial results and our ability to mitigate such impact; (xii) our expectation that we will continue to enter into master franchise agreements or development agreements in our INTL segment; (xiii) our expectation that the Carrols transaction will be completed in the second quarter of 2024; (xiv) the impact of increases in inflation, foreign exchange volatility, rising interest rates and general softening in the consumer spending environment and its potential to adversely impact our business, results of operations, liquidity, prospects and restaurant operations and those of our franchisees; (xv) our digital and marketing initiatives for all four brands, including the success of our “Reclaim the Flame”, initiative on sales growth and franchisee profitability; (xvi) 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; (xvii) our future uses of liquidity, including dividend payments and share repurchases; (xviii) 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 earnings and cash flows; (xix) our tax positions and their compliance with applicable tax laws; (xx) certain accounting matters, including the impact of changes in accounting standards; (xxi) certain tax matters, including our estimates with respect to tax matters and their impact on future periods, and any costs associated with contesting tax liabilities; (xxii) our goals with respect to reduction in greenhouse gas emissions; (xxiii) the impact of governmental regulation, both domestically and internationally, on our business and financial and operational results; (xxiv) the adequacy of our facilities to meet our current requirements; (xxv) certain litigation matters; (xxvi) our target total dividend for 2024; (xxvii) our sustainability initiatives and the impact of government sustainability regulation and initiatives; and (xxviii) the impact of the conflicts between Russia and Ukraine and in the Middle East.

Our forward-looking statements, included in this Annual 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 us 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

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subfranchisees to accelerate restaurant growth; (11) risks related to 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) risks related to the conflict between Russia and Ukraine, and the conflict in the Middle East; and (17) regulatory approvals of the acquisition of Carrols.

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 the section entitled "Item 1A - Risk Factors" of this Annual Report 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 Annual 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.