UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

or

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

For the transition period from __________ to __________

Commission file number: 001-36786

RESTAURANT BRANDS INTERNATIONAL INC.
(Exact name of Registrant as Specified in Its Charter)

Canada	**98-1202754**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
130 King Street West, Suite 300 Toronto, Ontario	**M5X 1E1**
(Address of Principal Executive Offices)	**(Zip Code)**

(905) 339-6011
Registrant's telephone number, including area code

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Shares, without par value	**QSR**	**New York Stock Exchange**
		Toronto Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the common equity held by non-affiliates of the registrant on June 30, 2019, computed by reference to the closing price for such stock on the New York Stock Exchange on such date, was $17,159,077,266.

The number of shares outstanding of the registrant's common shares as of February 10, 2020 was 298,425,192 shares.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive proxy statement for the 2020 Annual and Special Meeting of Shareholders, which is to be filed no later than 120 days after December 31, 2019, are incorporated by reference into Part III of this Form 10-K.

RESTAURANT BRANDS INTERNATIONAL INC.

2019 FORM 10-K ANNUAL REPORT

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Tim Hortons® and Timbits® are trademarks of Tim Hortons Canadian IP Holdings Corporation. Burger King® and BK® are trademarks of Burger King Corporation. Popeyes®, Popeyes Louisiana Kitchen® and Popeyes Chicken & Biscuits® are trademarks of Popeyes Louisiana Kitchen, Inc. Unless the context otherwise requires, all references to “we”, “us”, “our” and “Company” refer to Restaurant Brands International Inc. and its subsidiaries.

Explanatory Note

We are the sole general partner of Restaurant Brands International Limited Partnership ("Partnership"), which is the indirect parent of The TDL Group Corp. ("Tim Hortons"), Burger King Worldwide, Inc. ("Burger King") and Popeyes Louisiana Kitchen, Inc. ("Popeyes"). As a result of our controlling interest, we consolidate the financial results of Partnership and record a noncontrolling interest for the portion of Partnership we do not own in our consolidated financial statements. Net income (loss) attributable to noncontrolling interests on the consolidated statements of operations presents the portion of earnings or loss attributable to the economic interest in Partnership owned by the holders of the noncontrolling interests. As sole general partner, we manage all of Partnership's operations and activities in accordance with the partnership agreement of Partnership (the "partnership agreement"). We have established a conflicts committee composed entirely of "independent directors" (as such term is defined in the partnership agreement) in order to consent to, approve or direct various enumerated actions on behalf of the Company (in its capacity as the general partner of Partnership) in accordance with the terms of the partnership agreement.

Pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we are a successor issuer to Burger King. Our common shares trade on the New York Stock Exchange and the Toronto Stock Exchange under the ticker symbol "QSR". In addition, the Class B exchangeable limited partnership units of Partnership (the "Partnership exchangeable units") are deemed to be registered under Section 12(b) of the Exchange Act, and Partnership is subject to the informational requirements of the Exchange Act and the rules and regulations promulgated thereunder. The Partnership exchangeable units trade on the Toronto Stock Exchange under the ticker symbol "QSP".

Each of the Company and Partnership is a reporting issuer in each of the provinces and territories of Canada and, as a result, is subject to Canadian continuous disclosure and other reporting obligations under applicable Canadian securities laws. This Annual Report on Form 10-K constitutes the Company's Annual Information Form for purposes of its Canadian continuous disclosure obligations under National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102"). Pursuant to an application for exemptive relief made in accordance with National Policy 11-203 – Process for Exemptive Relief Applications in Multiple Jurisdictions, Partnership has received exemptive relief dated October 31, 2014 from the Canadian securities regulators. This exemptive relief exempts Partnership from the continuous disclosure requirements of NI 51-102, effectively allowing Partnership to satisfy its Canadian continuous disclosure obligations by relying on the Canadian continuous disclosure documents filed by the Company, for so long as certain conditions are satisfied. Among these conditions is a requirement that Partnership concurrently send to all holders of the Partnership exchangeable units all disclosure materials that the Company sends to its shareholders and a requirement that Partnership separately report all material changes in respect of Partnership that are not also material changes in respect of the Company.

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.

Part I

Item 1. *Business*

Company Overview

We are a Canadian corporation originally formed on August 25, 2014 to serve as the indirect holding company for Tim Hortons and its consolidated subsidiaries and Burger King and its consolidated subsidiaries, and, since our acquisition of Popeyes in March 2017, Popeyes and its consolidated subsidiaries. We are one of the world's largest quick service restaurant ("QSR") companies with more than $34 billion in system-wide sales and over 27,000 restaurants in more than 100 countries and U.S. territories as of December 31, 2019. Our *Tim Hortons*®, *Burger King*® and *Popeyes*® brands have similar franchise business models with complementary daypart mixes and product platforms. Our three iconic brands are managed independently while benefiting from global scale and sharing of best practices. As of December 31, 2019, approximately 100% of total restaurants for each of our brands was franchised.

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

Our *Tim Hortons*® Brand

Founded in 1964, Tim Hortons ("TH") is one of the largest donut/coffee/tea restaurant chains in North America and the largest in Canada as measured by total number of restaurants. As of December 31, 2019, we owned or franchised a total of 4,932 TH restaurants. TH restaurants are quick service restaurants with a menu that includes premium blend coffee, tea, espresso-based hot and cold specialty drinks, fresh baked goods, including donuts, *Timbits*®, bagels, muffins, cookies and pastries, grilled paninis, classic sandwiches, wraps, soups and more.

Our *Burger King*® Brand

Founded in 1954, Burger King ("BK") is the world's second largest fast food hamburger restaurant ("FFHR") chain as measured by total number of restaurants. As of December 31, 2019, we owned or franchised a total of 18,838 BK restaurants in more than 100 countries and U.S. territories. BK restaurants are quick service restaurants that feature flame-grilled hamburgers, chicken and other specialty sandwiches, french fries, soft drinks and other affordably-priced food items.

Our *Popeyes*® Brand

Founded in 1972, Popeyes ("PLK") is the world's second largest quick service chicken concept as measured by total number of restaurants. As of December 31, 2019, we owned or franchised a total of 3,316 PLK restaurants. PLK restaurants are quick service restaurants that distinguish themselves with a unique "Louisiana" style menu featuring fried chicken, chicken tenders, fried shrimp and other seafood, red beans and rice and other regional items.

Our Business Strategy

We believe that we have created a financially strong company built upon a foundation of three thriving, independent brands with significant global growth potential and the opportunity to be one of the most efficient franchised QSR operators in the world through our focus on the following strategies:

- accelerating net restaurant growth;
- enhancing guest service and experience at our restaurants through comprehensive training, improved restaurant operations, reimaged restaurants and appealing menu options;
- increasing restaurant sales and profitability which are critical to the success of our franchise partners and our ability to grow our brands around the world;
- utilizing technological and digital initiatives to interact with our guests and modernize the operations of our restaurants;
- efficiently managing costs and sharing best practices; and
- preserving the rich heritage of each of our brands by managing them and their respective franchisee relationships independently and continuing to play a prominent role in local communities.

Operating Segments

Our business consists of three operating segments, which are also our reportable segments: (1) TH; (2) BK; and (3) PLK. Additional financial information about our reportable segments can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Restaurant Development

As part of our development approach for our brands in the U.S., we have granted limited development rights in specific areas to franchisees in connection with area development agreements. We expect to enter into similar arrangements in 2020 and beyond. In Canada, we have not granted exclusive or protected areas to BK or TH franchisees, with limited exceptions.

As part of our international growth strategy for all of our brands, we have established master franchise and development agreements in a number of markets. We have also created strategic master franchise joint ventures in which we received a meaningful minority equity stake in each joint venture. We will continue to evaluate opportunities to accelerate international development of all three of our brands, including through the establishment of master franchises with exclusive development rights and joint ventures with new and existing franchisees.

Advertising and Promotions

In general, franchisees fund substantially all of the marketing programs for each of our brands by making contributions ranging from 2.0% to 5.0% of gross sales to advertising funds managed by us or by the franchisees. Advertising contributions are used to pay for expenses relating to marketing, advertising and promotion, including market research, production, advertising costs, sales promotions, social media campaigns, technology initiatives and other support functions for the respective brands.

We manage the advertising funds for each of our brands in the U.S. and Canada, as well as in certain other markets for BK. However, in many international markets, including the markets managed by master franchisees, franchisees make contributions into franchisee-managed advertising funds. As part of our global marketing strategy, we provide franchisees with advertising support and guidance in order to deliver a consistent global brand message.

Product Development

New product development is a key driver of the long-term success of our brands. We believe the development of new products can drive traffic by expanding our customer base, allowing restaurants to expand into new dayparts, and continuing to build brand leadership in food quality and taste. Based on guest feedback, we drive product innovation in order to satisfy the needs of our guests around the world. This strategy will continue to be a focus in 2020 and beyond.

Operations Support

Our operations strategy is designed to deliver best-in-class restaurant operations by our franchisees and to improve friendliness, cleanliness, speed of service and overall guest satisfaction. Each of our brands has uniform operating standards and specifications relating to product quality, cleanliness and maintenance of the premises. In addition, our restaurants are required to be operated in accordance with quality assurance and health standards that each brand has established, as well as standards set by applicable governmental laws and regulations. Each franchisee typically participates in initial and ongoing training programs to learn all aspects of operating a restaurant in accordance with each brand’s operating standards.

Manufacturing, Supply and Distribution

In general, we approve the manufacturers of the food, packaging, equipment and other products used in restaurants for each of our brands. We have a comprehensive supplier approval process, which requires all products to pass our quality standards and the suppliers’ manufacturing process and facilities to pass on-site food safety inspections. Our franchisees are required to purchase substantially all food and other products from approved suppliers and distributors.

TH products are sourced from a combination of third-party suppliers and our own manufacturing facilities. To protect our proprietary blends, we operate two coffee roasting facilities in Ancaster, Ontario and Rochester, New York, where we blend all of the coffee for our TH restaurants and, where practical, for our take home, packaged coffee. Our fondant and fills manufacturing facility in Oakville, Ontario produces, and is the primary supplier of, the ready-to-use glaze, fondants, fills and syrups which are used in a number of TH products. As of December 31, 2019, we have only one or a few suppliers to service each category of products sold at our system restaurants.

We sell most raw materials and supplies, including coffee, sugar, paper goods and other restaurant supplies, to TH restaurants in Canada and the U.S. We purchase those raw materials from multiple suppliers and generally have alternative sources of supply for each. While we have multiple suppliers for coffee from various coffee-producing regions, the available supply and price for high-quality coffee beans can fluctuate dramatically. Accordingly, we monitor world market conditions for green (unroasted) coffee and contract for future supply volumes to obtain expected requirements of high-quality coffee beans at acceptable prices.

Our TH business has significant supply chain operations, including procurement, warehousing and distribution, to supply paper and dry goods to a substantial majority of our Canadian restaurants, and procure and supply frozen baked goods and some refrigerated products to most of our Ontario and Quebec restaurants. We act as a distributor to TH restaurants in Canada through five distribution centers located in Canada. In 2018, we announced plans to build two new warehouses in Western Canada to replace existing facilities and to renovate an existing warehouse in Eastern Canada to facilitate the supply of frozen and refrigerated products in those markets. We expect to complete these projects in 2020. We own or lease a significant number of trucks and trailers that regularly deliver to most of our Canadian restaurants. In the U.S., we supply similar products to system restaurants through third-party distributors.

All of the products used in our BK and PLK restaurants are sourced from third-party suppliers. In the U.S. and Canada, there is a purchasing cooperative for each brand that negotiates the purchase terms for most equipment, food, beverages (other than branded soft drinks which we negotiate separately under long-term agreements) and other products used in BK and PLK restaurants. The purchasing agent is also authorized to purchase and manage distribution services on behalf of most of the BK and PLK restaurants in the U.S. and Canada. PLK also utilizes exclusive suppliers for certain of its proprietary products. As of December 31, 2019, four distributors serviced approximately 92% of BK restaurants in the U.S. and five distributors serviced approximately 85% of PLK restaurants in the U.S.

In 2000, Burger King Corporation entered into long-term exclusive contracts with The Coca-Cola Company and Dr Pepper/Snapple, Inc. to supply BK restaurants with their products and which obligate restaurants in the U.S. to purchase a specified number of gallons of soft drink syrup. These volume commitments are not subject to any time limit. As of December 31, 2019, we estimate that it will take approximately 7 years to complete the Coca-Cola purchase commitment and approximately 10 years to complete the Dr Pepper/Snapple, Inc. purchase commitment. If these agreements were terminated, we would be obligated to pay an aggregate amount equal to approximately $376 million as of December 31, 2019 based on an amount per gallon for each gallon of soft drink syrup remaining in the purchase commitments, interest and certain other costs. We have also entered into long-term beverage supply arrangements with certain major beverage vendors for the TH and PLK brands in the U.S. and Canada.

Franchise Agreements and Other Arrangements

General. We grant franchisees the right to operate restaurants using our trademarks, trade dress and other intellectual property, uniform operating procedures, consistent quality of products and services and standard procedures for inventory control and management. For each franchise restaurant, we generally enter into a franchise agreement covering a standard set of terms and conditions. Recurring fees consist of periodic royalty and advertising payments. Franchisees report gross sales on a monthly or weekly basis and pay royalties based on gross sales.

Franchise agreements are generally not assignable without our consent. Our TH franchise agreements grant us the right to reacquire a restaurant under certain circumstances, and our BK and PLK franchise agreements generally have a right of first refusal if a franchisee proposes to sell a restaurant. Defaults (including non-payment of royalties or advertising contributions, or failure to operate in compliance with our standards) can lead to termination of the franchise agreement.

U.S. and Canada. TH franchisees in the U.S. and Canada operate under several types of license agreements, with a typical term for a standard restaurant of 10 years plus renewal period(s) of 10 years in the aggregate for Canada and a typical term of 20 years for the U.S. TH franchisees who lease land and/or buildings from us typically pay a royalty of 3.0% to 4.5% of weekly restaurant gross sales. Our license agreements contemplate a one-time franchise fee which must be paid in full before the restaurant opens for business and upon the grant of an additional term. Under a separate lease or sublease, TH franchisees typically pay monthly rent based on the greater of a fixed monthly payment and contingent rental payments based on a percentage (usually 8.5% to 10.0%) of monthly gross sales or flow through monthly rent based on the terms of an underlying lease. Where the franchisee owns the premises, leases it from a third party or enters into a flow through lease with TH, the royalty is typically increased. In addition, the royalty rates under license agreements entered into in connection with non-standard restaurants, including self-serve kiosks and strategic alliances with third parties, may vary from those described above and are negotiated on a case-by-case basis.

The typical BK and PLK franchise agreement in the U.S. and Canada has a 20-year term and contemplates a one-time franchise fee. Subject to the incentive programs described below, most new BK franchise restaurants in the U.S. and Canada pay a royalty on gross sales of 4.5% and most PLK restaurants in the U.S. and Canada pay a royalty on gross sales of 5.0%. BK franchise agreements typically provide for a 20-year renewal term, and PLK franchise agreements typically provide for two 10-year renewal terms.

In an effort to improve the image of our BK restaurants in the U.S., we offered U.S. franchisees reduced up-front franchise fees and limited-term royalty and advertising fund rate reductions to remodel restaurants to our modern image during 2017, 2018 and 2019 and we plan to continue to offer remodel incentives to U.S. franchisees during 2020. These limited-term incentive programs are expected to negatively impact our effective royalty rate until 2027. However, we expect this impact to be partially mitigated as incentive programs granted in prior years will expire and we will also be entering into new franchise agreements for BK restaurants in

the U.S. with a 4.5% royalty rate. For PLK, we offered development incentive programs in 2017 pursuant to which we reduced or waived franchise fees and royalty payments to encourage our PLK franchisees to develop and open new restaurants. Most of these programs were discontinued in 2018.

International. Historically, we entered into franchise agreements for each BK restaurant in our international markets with up-front franchise fees and monthly royalties and advertising contributions typically of up to 5.0% of gross sales. However, as part of the international growth strategy for each of our brands, we have entered into master franchise agreements or development agreements that grant franchisees exclusive or non-exclusive development rights and, in some cases, require them to provide support services to other franchisees in their markets. In 2019, we entered into master franchise agreements for the TH brand in Thailand and for the PLK brand in China and Spain. The up-front franchise fees and royalty rate paid by master franchisees or exclusive developers vary from country to country, depending on the facts and circumstances of each market. We expect to continue implementing similar arrangements for our brands in 2020 and beyond.

Franchise Restaurant Leases. We leased or subleased 3,646 properties to TH franchisees, 1,542 properties to BK franchisees, and 84 properties to PLK franchisees as of December 31, 2019 pursuant to separate lease agreements with these franchisees. For properties that we lease from third-party landlords and sublease to franchisees, our leases generally provide for fixed rental payments and may provide for contingent rental payments based on a restaurant’s annual gross sales. Franchisees who lease land only or land and building from us do so on a “triple net” basis. Under these triple net leases, the franchisee is obligated to pay all costs and expenses, including all real property taxes and assessments, repairs and maintenance and insurance.

Intellectual Property

We own valuable intellectual property relating to our brands, including trademarks, service marks, patents, industrial designs, copyrights, trade secrets and other proprietary information, some of which are of material importance to our TH, BK and PLK businesses. We have established the standards and specifications for most of the goods and services used in the development, improvement and operation of our restaurants. These proprietary standards, specifications and restaurant operating procedures are our trade secrets. Additionally, we own certain patents and industrial designs of varying duration relating to equipment and packaging used in BK and TH restaurants.

Information Systems

Our corporate financial, human resources and similar systems are fully integrated across our brands and provide a solid foundation for our business. Our restaurant systems are provided by a set of approved third-party vendors that provide point of sale software. Depending on the region, they may also provide labor scheduling, inventory, production management, and cash control services. We are in the process of rolling out in the US and Canada an architecture that enables us to build custom customer-facing applications and integrate them with our third-party providers, to support mobile ordering, web ordering, and kiosks. In the future, we plan to deploy this architecture to additional markets.

Although our systems are provided through third parties, we have the ability to obtain transaction-level data from most of our franchised restaurants and Company restaurants. This allows us to assess how our new and existing products are performing around the world. Additionally, we have been investing to upgrade our supply chain systems and improve efficiency. We expect to continue to invest in technology capabilities to support and drive our business.

Competition

Each of our brands competes in the U.S., Canada and internationally with many well-established food service companies on the basis of product choice, quality, affordability, service and location. With few barriers to entry to the restaurant industry, our competitors include a variety of independent local operators, in addition to well-capitalized regional, national and international restaurant chains and franchises, and new competitors may emerge at any time. We also compete for consumer dining dollars with national, regional and local (i) quick service restaurants that offer alternative menus, (ii) casual and “fast casual” restaurant chains and (iii) convenience stores and grocery stores. Furthermore, delivery aggregators and other food delivery services provide consumers with convenient access to a broad range of competing restaurant chains and food retailers, particularly in urban areas.

Government Regulations and Affairs

General. We and our franchisees are subject to various laws and regulations including (i) licensing and regulation relating to health, food preparation, sanitation and safety standards and, for our distribution business, traffic and transportation regulations; (ii) information security, privacy and consumer protection laws; and (iii) other laws regulating the design, accessibility and operation of facilities, such as the *Americans with Disabilities Act* of 1990, the *Accessibility for Ontarians with Disabilities Act* and similar Canadian federal and provincial legislation that can have a significant impact on our franchisees and our performance. These regulations include food safety regulations, including supervision by the U.S. Food and Drug Administration and its international equivalents, which govern the manufacture, labeling, packaging and safety of food. In addition, we are or may become subject to legislation or regulation seeking to tax and/or regulate high-fat, high-calorie and high-sodium foods, particularly in Canada, the U.S., the United Kingdom and Spain. Certain countries, provinces, states and municipalities have approved menu labeling legislation that requires restaurant chains to provide caloric information on menu boards, and menu labeling legislation has also been adopted on the U.S. federal level as well as in Ontario.

U.S. and Canada. Our restaurants must comply with licensing requirements and regulations by a number of governmental authorities, which include zoning, health, safety, sanitation, building and fire agencies in the jurisdiction in which the restaurant is located. We and our franchisees are also subject to various employment laws, including laws governing union organizing, working conditions, work authorization requirements, health insurance, overtime and wages. In addition, we and our U.S. franchisees are subject to the *Patient Protection and Affordable Care Act*.

We are subject to federal franchising laws adopted by the U.S. Federal Trade Commission (the "FTC") and state and provincial franchising laws. Much of the legislation and rules adopted have been aimed at providing detailed disclosure to a prospective franchisee, duties of good faith as between the franchisor and the franchisee, and/or periodic registration by the franchisor with applicable regulatory agencies. Additionally, some U.S. states have enacted or are considering enacting legislation that governs the termination or non-renewal of a franchise agreement and other aspects of the franchise relationship.

International. Internationally, we and our franchisees are subject to national and local laws and regulations that often are similar to those affecting us and our franchisees in the U.S. and Canada. We and our franchisees are also subject to a variety of tariffs and regulations on imported commodities and equipment, and laws regulating foreign investment.

Environmental Matters and Sustainability

Various laws concerning the handling, storage and disposal of hazardous materials and restaurant waste and the operation of restaurants in environmentally sensitive locations may impact aspects of our operations and the operations of our franchisees; however, we do not believe that compliance with applicable environmental regulations will have a material effect on our capital expenditures, financial condition, results of operations, or competitive position. Increased focus by U.S., Canadian and international governmental authorities on environmental matters is likely to lead to new governmental initiatives, particularly in the area of climate change. While we cannot predict the precise nature of these initiatives, we expect that they may impact our business both directly and indirectly. There is a possibility that government initiatives, or actual or perceived effect of changes in weather patterns, climate or water resources could have a direct impact on the operations of our brands in ways that we cannot predict at this time.

We are committed to the simple principle of doing what's right. Our "Restaurant Brands for Good" plan provides a framework for serving our guests the food and drinks they love while contributing to a sustainable future and having a positive social impact in the communities we serve. Our ongoing efforts will focus on three key pillars:

- Food - serving high quality and great tasting food every day;
- Planet - continuously reducing our environmental footprint; and
- People & Communities - supporting communities and enhancing livelihoods.

The sustainability section of our corporate website sets forth our initiatives with respect to these pillars and will be updated periodically.

Seasonal Operations

Our restaurant sales are typically higher in the spring and summer months when the weather is warmer and typically lowest during the winter months. Furthermore, adverse weather conditions can have material adverse effects on restaurant sales. The timing of holidays may also impact restaurant sales. Because our businesses are moderately seasonal, results for any one quarter are not necessarily indicative of the results that may be achieved for any other quarter or for the full fiscal year.

Our Employees

As of December 31, 2019, we had approximately 6,300 employees in our restaurant support centers, regional offices, distribution centers, manufacturing facilities, field operations and Company restaurants. Our franchisees are independent business owners so their employees are not our employees and therefore are not included in our employee count.

Available Information

We make available free of charge on or through the Investor Relations section of our internet website at www.rbi.com, all materials that we file electronically with the Securities and Exchange Commission (the "SEC"), including this annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports as soon as reasonably practicable after electronically filing or furnishing such material with the SEC and with the Canadian Securities Administrators. This

information is also available at www.sec.gov, an internet site maintained by the SEC that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com, a website maintained by the Canadian Securities Administrators. The references to our website address, the SEC's website address and the website maintained by the Canadian Securities Administrators do not constitute incorporation by reference of the information contained in these websites and should be not considered part of this document.

A copy of our Corporate Governance Guidelines, Code of Business Ethics and Conduct for Non-Restaurant Employees, Code of Ethics for Executive Officers, Code of Conduct for Directors and the Charters of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, Conflicts Committee and Operations and Strategy Committee of our board of directors are posted in the Investor Relations section of our website at www.rbi.com.

Our principal executive offices are located at 130 King Street West, Suite 300, Toronto, Ontario M5X 1E1, Canada. Our telephone number is (905) 339-6011.

Item 1A. *Risk Factors*

Risks Related to Our Business

We face intense competition in our markets, which could negatively impact our business.

The restaurant industry is intensely competitive and we compete with many well-established food service companies on the basis of product choice, quality, affordability, service and location. With few barriers to entry, our competitors include a variety of independent local operators, in addition to well-capitalized regional, national and international restaurant chains and franchises, and new competitors may emerge at any time. Furthermore, delivery aggregators and food delivery services provide consumers with convenient access to a broad range of competing restaurant chains and food retailers, particularly in urbanized areas. Each of our brands also competes for qualified franchisees, suitable restaurant locations and management and personnel.

Our ability to compete will depend on the success of our plans to improve existing products, to develop and roll-out new products, to effectively respond to consumer preferences and to manage the complexity of restaurant operations as well as the impact of our competitors' actions. In addition, our long-term success will depend on our ability to strengthen our customers' digital experience through expanded mobile ordering, delivery and social interaction. Some of our competitors have substantially greater financial resources, higher revenues and greater economies of scale than we do. These advantages may allow them to implement their operational strategies more quickly or effectively than we can or benefit from changes in technologies, which could harm our competitive position. These competitive advantages may be exacerbated in a difficult economy, thereby permitting our competitors to gain market share. There can be no assurance that we will be able to successfully respond to changing consumer preferences, including with respect to new technologies and alternative methods of delivery. If we are unable to maintain our competitive position, we could experience lower demand for products, downward pressure on prices, reduced margins, an inability to take advantage of new business opportunities, a loss of market share, reduced franchisee profitability and an inability to attract qualified franchisees in the future.

Our success depends on the value of our brands and the failure to preserve their value and relevance could have a negative impact on our financial results.

We depend in large part on the value of the TH, BK and PLK brands. To be successful in the future, we must preserve, enhance and leverage the value of our brands. Brand value is based in part on consumer tastes, preferences and perceptions on a variety of factors, including the nutritional content, methods of production and preparation of our products and our business practices. Consumer acceptance of our products may be influenced by or subject to change for a variety of reasons. For example, adverse publicity associated with nutritional, health and other scientific studies and conclusions, which constantly evolve and often have contradictory implications, may drive popular opinion against quick service restaurants in general, which may impact the demand for our products. Moreover, health campaigns against products we offer in favor of foods that are perceived as healthier may affect consumer perception of our product offerings and impact the value of our brands.

In addition, adverse publicity related to litigation, regulation (including initiatives intended to drive consumer behavior) or incidents involving us, our franchisees, competitors or suppliers may impact the value of our brands by discouraging customers from buying our products. Perceptions may also be affected by activist campaigns to promote adverse perceptions of the quick service restaurant industry or our brands and/or our operations, suppliers, franchisees or other partners such as campaigns aimed at sustainability or living-wage opinions. Consumer demand for our products and our brand equity could diminish if we, our employees or our franchisees or other business partners fail to preserve the quality of our products, act or are perceived to act as unethical, illegal, racially-biased or in a socially irresponsible manner, including with respect to the sourcing, content or sale of our products or the use of consumer data for general or direct marketing or other purposes, fail to comply with laws and regulations, publicly take controversial positions or actions or fail to deliver a consistently positive consumer experience in each of our markets. If we are unsuccessful in addressing consumer adverse perceptions, our brands and our financial results may suffer.

Economic conditions have adversely affected, and may continue to adversely affect, consumer discretionary spending which could negatively impact our business and operating results.

We believe that our restaurant sales, guest traffic and profitability are strongly correlated to consumer discretionary spending, which is influenced by general economic conditions, unemployment levels, the availability of discretionary income and, ultimately, consumer confidence. A protracted economic slowdown, increased unemployment and underemployment of our customer base, decreased salaries and wage rates, inflation, rising interest rates or other industry-wide cost pressures adversely affect consumer behavior by weakening consumer confidence and decreasing consumer spending for restaurant dining occasions. There can be no assurance that governmental or other responses to economic challenges will restore or maintain consumer confidence. As a result of these factors, during recessionary periods we and our franchisees may experience reduced sales and profitability, which may cause our business and operating results to suffer.

Our substantial leverage and obligations to service our debt could adversely affect our business.

As of December 31, 2019, we had aggregate outstanding indebtedness of $11,981 million, including senior secured term loan facilities in an aggregate principal amount of $6,100 million, senior secured first lien notes in an aggregate principal amount of $2,250 million and senior secured second lien notes in an aggregate principal amount of $3,550 million. Subject to restrictions set forth in these instruments, we may also incur significant additional indebtedness in the future, some of which may be secured debt. This may have the effect of increasing our total leverage.

Our substantial leverage could have important potential consequences, including, but not limited to:

- increasing our vulnerability to, and reducing our flexibility to respond to, changes in our business and general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to our debt service, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, product research, dividends, share repurchases or other corporate purposes;
- increasing our vulnerability to a downgrade of our credit rating, which could adversely affect our cost of funds, liquidity and access to capital markets;
- placing us at a competitive disadvantage as compared to certain of our competitors who are not as highly leveraged;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- exposing us to the risk of increased interest rates as borrowings under our credit facilities are subject to variable rates of interest;
- the discontinuation of the London Interbank Offered Rate (“LIBOR”) after 2021 and the replacement with an alternative reference rate may adversely impact interest rates and our interest rate hedging strategy;
- making it more difficult for us to repay, refinance or satisfy our obligations with respect to our debt;
- limiting our ability to borrow additional funds in the future and increasing the cost of any such borrowing; and
- exposing us to risks related to fluctuations in foreign currency as we earn profits in a variety of currencies around the world and substantially all of our debt is denominated in U.S. dollars.

There is no assurance that we will generate cash flow from operations or that future debt or equity financings will be available to us to enable us to pay our indebtedness or to fund other needs. As a result, we may need to refinance all or a portion of our indebtedness on or before maturity. There is no assurance that we will be able to refinance any of our indebtedness on favorable terms, or at all. An inability to generate sufficient cash flow or refinance our indebtedness on favorable terms could have a material adverse effect on our financial condition.

The terms of our indebtedness limit our ability to take certain actions and perform certain corporate functions, and could have the effect of delaying or preventing a future change of control.

The terms of our indebtedness include a number of restrictive covenants that, among other things, limit our ability to:

- incur additional indebtedness or guarantee or prepay indebtedness;
- pay dividends on, repurchase or make distributions in respect of capital stock;
- make investments or acquisitions;
- create liens or use assets as security in other transactions;
- consolidate, merge, sell or otherwise dispose of substantially all of our or our subsidiaries’ assets;
- make intercompany transactions; and
- enter into transactions with affiliates.

These limitations may hinder our ability to finance future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. In addition, our ability to comply with these covenants and restrictions may be affected by events beyond our control.

A breach of the covenants under our indebtedness could result in an event of default under the applicable agreement. In an event of default, our debt holders may accelerate repayment of such debt, which may result in the acceleration of the repayment of any other debt to which a cross-acceleration or cross-default provision applies. In addition, default under our senior secured credit facilities would also permit the lenders thereunder to terminate all other commitments to extend additional credit under the senior secured credit facilities. Similarly, in the event of a change of control, pursuant to the terms of our indebtedness, we may be required to repay our credit facilities, or offer to repurchase the senior secured first lien and second lien notes. In addition, our future indebtedness may also be subject to mandatory repurchase or repayment upon a future change of control. Such current and future terms could have the effect of delaying or preventing a future change of control or may discourage a potential acquirer from proposing or completing a transaction that may otherwise have presented a premium to our shareholders.

Following the occurrence of either an event of default or change of control, we may not have sufficient resources to repurchase, repay or redeem our obligations, as applicable. Moreover, third-party financing may be required in order to provide the funds necessary for us to satisfy these obligations, and we may not be able to obtain such additional financing on terms favorable to us or at all. Furthermore, if we were unable to repay the amounts due under our secured indebtedness, the holders of such indebtedness could proceed against the collateral that secures such indebtedness. In the event our creditors accelerate the repayment of our secured indebtedness, we and our subsidiaries may not have sufficient assets to repay that indebtedness.

Our fully franchised business model presents a number of disadvantages and risks.

Substantially all of our restaurants are owned and operated by franchisees. Under our fully franchised business model, our future prospects depend on (i) our ability to attract new franchisees for each of our brands that meet our criteria and (ii) the willingness and ability of franchisees to open restaurants in existing and new markets. There can be no assurance that we will be able to identify franchisees who meet our criteria, or if we identify such franchisees, that they will successfully implement their expansion plans.

Our fully franchised business model presents a number of other drawbacks, such as limited influence over franchisees, limited ability to facilitate changes in restaurant ownership, limitations on enforcement of franchise obligations due to bankruptcy or insolvency proceedings and reliance on franchisees to participate in our strategic initiatives. While we can mandate certain strategic initiatives through enforcement of our franchise agreements, we will need the active support of our franchisees if the implementation of these initiatives is to be successful. The failure of these franchisees to support our marketing programs and strategic initiatives could adversely affect our ability to implement our business strategy and could materially harm our business, results of operations and financial condition.

Our principal competitors that have a significantly higher percentage of company-operated restaurants than we do may have greater influence over their respective restaurant systems and greater ability to implement operational initiatives and business strategies, including their marketing and advertising programs.

The ability of our franchisees and prospective franchisees to obtain financing for development of new restaurants or reinvestment in existing restaurants depends in part upon financial and economic conditions which are beyond their control. If our franchisees are unable to obtain financing on acceptable terms to develop new restaurants or reinvest in existing restaurants, our business and financial results could be adversely affected.

Our franchisees are also dependent upon their ability to attract and retain qualified employees in an intensely competitive employee market. The inability of our franchisees to recruit and retain qualified individuals may delay the planned openings of new restaurants by our franchisees and could adversely impact existing franchise restaurants, which could slow our growth. Moreover, we may also face liability for employment-related claims of our franchisees' employees based on theories of joint employer liability with our franchisees or other theories of vicarious liability, which could materially harm our results of operations and financial condition.

Our operating results are closely tied to the success of our franchisees, who are independent operators, and we have limited influence over their restaurant operations.

We generate revenues in the form of royalties, fees and other amounts from our franchisees. As a result, our operating results are closely tied to the success of our franchisees. However, our franchisees are independent operators and we cannot control many factors that impact the profitability of their restaurants. If sales trends or economic conditions worsen for franchisees, their financial results may deteriorate, which could result in, among other things, restaurant closures, delayed or reduced payments to us of royalties, advertising contributions, rents and, in the case of the TH brand, delayed or reduced payments for products and supplies, and an inability for such franchisees to obtain financing to fund development, restaurant remodels or equipment initiatives on acceptable terms or at all. Furthermore, franchisees may not be willing or able to renew their franchise agreements with us due to low sales volumes, or high real estate costs, or may be unable to renew due to the failure to secure lease renewals. If our franchisees fail to renew their franchise agreements, our royalty revenues may decrease which in turn could materially and adversely affect our business and operating results.

Under our franchise agreements, we can, among other things, establish operating procedures and approve suppliers, distributors and products. However, franchisees may not successfully operate restaurants in a manner consistent with our standards and requirements or standards set by applicable law, including sanitation and pest control standards. Any operational shortcoming of a franchise restaurant is likely to be attributed by guests to the entire brand, thus damaging the brand's reputation and potentially affecting our revenues and profitability. We may not be able to identify problems and take effective action quickly enough and, as a result, our image and reputation may suffer, and our franchise revenues and results of operations could decline.

Our operating results depend on the effectiveness of our marketing and advertising programs and the successful development and launch of new products.

Our revenues are heavily influenced by brand marketing and advertising and by our ability to develop and launch new and innovative products. Our marketing and advertising programs may not be successful or we may fail to develop commercially successful new products, which may lead us to fail to attract new guests and retain existing guests, which, in turn, could materially and adversely affect our results of operations. Moreover, because franchisees contribute to advertising funds based on a percentage of gross sales at their franchise restaurants, advertising fund expenditures are dependent upon sales volumes at system-wide restaurants. If system-wide sales decline, there will be a reduced amount available for our marketing and advertising programs. Furthermore, to the extent that we use value offerings in our marketing and advertising programs to drive traffic, the low price offerings may condition our guests to resist higher prices in a more favorable economic environment.

In addition, we continue to focus on restaurant modernization and technology and digital engagement in order to transform the restaurant experience. As part of these initiatives we are seeking to improve our service model and strengthen relationships with customers, digital channels, loyalty initiatives, mobile ordering and payment systems and delivery initiatives. These initiatives may not have the anticipated impact on our franchise sales and therefore we may not fully realize the intended benefits of these significant investments.

Our future growth and profitability will depend on our ability to successfully accelerate international development with strategic partners and joint ventures.

We believe that the future growth and profitability of each of our brands will depend on our ability to successfully accelerate international development with strategic partners and joint ventures in new and existing international markets. New markets may have different competitive conditions, consumer tastes and discretionary spending patterns than our existing markets. As a result, new restaurants in those markets may have lower average restaurant sales than restaurants in existing markets and may take longer than expected to reach target sales and profit levels (or may never do so). We will need to build brand awareness in those new markets we enter through advertising and promotional activity, and those activities may not promote our brands as effectively as intended, if at all.

We have adopted a master franchise development model for all of our brands, which in markets with strong growth potential may include participating in strategic joint ventures, to accelerate international growth. These new arrangements may give our joint venture and/or master franchise partners the exclusive right to develop and manage our restaurants in a specific country or countries. A joint venture partnership involves special risks, including the following: our joint venture partners may have economic, business or legal interests or goals that are inconsistent with those of the joint venture or us, or our joint venture partners may be unable to meet their economic or other obligations and we may be required to fulfill those obligations alone. Our master franchise arrangements present similar risks and uncertainties. We cannot control the actions of our joint venture partners or master franchisees, including any nonperformance, default or bankruptcy of joint venture partners or master franchisees. In addition, the termination of an arrangement with a master franchisee or a lack of expansion by certain master franchisees could result in the delay or discontinuation of the development of franchise restaurants, or an interruption in the operation of our brand in a particular market or markets. We may not be able to find another operator to resume development activities in such market or markets. Any such delay, discontinuation or interruption could materially and adversely affect our business and operating results.

If we are unable to effectively manage our growth, it could adversely affect our business and operating results.

We are the indirect holding company for TH, BK, and PLK and their respective consolidated subsidiaries with over 27,000 restaurants, of which approximately 100% are franchised restaurants. In addition, our growth strategy includes strategic expansion in existing and new markets, and contemplates a significant acceleration in the growth in the number of new restaurants. As our franchisees are independent third parties, we have expended and may need to continue to expend substantial financial and managerial resources to enhance our existing restaurant management systems, financial and management controls, information systems and personnel to accurately capture and reflect the financial and operational activities at our franchise restaurants. On occasion we have encountered, and may in the future encounter, challenges in receiving these results from our franchisees in a consistent and timely manner. If we are not able to effectively manage the management and information demands associated with the significant growth of our franchise system, then our business and operating results could be negatively impacted.

Sub-franchisees could take actions that could harm our business and that of our master franchisees.

Our business model contemplates us entering into agreements with master franchisees that permit them to develop and operate restaurants in defined geographic areas. As permitted by certain of these agreements, master franchisees may elect to license sub-franchisees to develop and operate TH, BK, or PLK restaurants, as applicable in the geographic area covered by the agreement. These agreements contractually obligate our master franchisees to operate their restaurants in accordance with specified operations, safety and health standards and also require that any sub-franchise agreement contain similar requirements. However, we are not party to the agreements with the sub-franchisees and are dependent upon our master franchisees to enforce these standards with respect to sub-franchised restaurants. As a result, the ultimate success and quality of any sub-franchised restaurant rests with the master franchisee and the sub-franchisee. If sub-franchisees do not successfully operate their restaurants in a manner consistent with required standards, franchise fees and royalty income ultimately paid to us could be adversely affected, and our brand image and reputation may be harmed, which could materially and adversely affect our business and operating results.

Our international operations subject us to additional risks and costs and may cause our profitability to decline.

Our operations outside of the U.S. and Canada are exposed to risks inherent in foreign operations. These risks, which can vary substantially by market, are described in many of the risk factors discussed in this section and include the following:

- governmental laws, regulations and policies adopted to manage national economic conditions, such as increases in taxes, austerity measures that impact consumer spending, monetary policies that may impact inflation rates and currency fluctuations;
- the imposition of import restrictions or controls;
- the risk of markets in which we have granted exclusive development and subfranchising rights;
- the effects of legal and regulatory changes and the burdens and costs of our compliance with a variety of foreign laws;
- changes in the laws and policies that govern foreign investment and trade in the countries in which we operate;
- compliance with U.S., Canadian and other foreign anti-corruption and anti-bribery laws, including compliance by our employees, contractors, licensees or agents and those of our strategic partners and joint ventures;
- risks and costs associated with political and economic instability, corruption, anti-American or anti-Canadian sentiment and social and ethnic unrest in the countries in which we operate;
- the risks of operating in developing or emerging markets in which there are significant uncertainties regarding the interpretation, application and enforceability of laws and regulations and the enforceability of contract rights and intellectual property rights;
- risks arising from the significant and rapid fluctuations in currency exchange markets and the decisions and positions that we take to hedge such volatility;
- uncertainties and effects on our joint ventures of the expected withdrawal of the United Kingdom from the European Union (referred to as "Brexit"), including supply chain, financial, tax, legal and trade consequences;
- changing labor conditions and difficulties experienced by our franchisees in staffing their international operations;
- the impact of labor costs on our franchisees’ margins given our labor-intensive business model and the long-term trend toward higher wages in both mature and developing markets and the potential impact of union organizing efforts on day-to-day operations of our franchisees’ restaurants; and
- the effects of increases in the taxes we pay and other changes in applicable tax laws.

These factors may increase in importance as we expect franchisees of each of our brands to open new restaurants in international markets as part of our growth strategy.

Our operations are subject to fluctuations in foreign currency exchange and interest rates.

We report our results in U.S. dollars, which is our reporting currency. The operations of TH, BK, and PLK that are denominated in currencies other than the U.S. dollar are translated to U.S. dollars for our financial reporting purposes, and are therefore impacted by fluctuations in currency exchange rates and changes in currency regulations. In addition, fluctuations in interest rates may affect our combined business. Although we attempt to minimize these risks through geographic diversification and the utilization of derivative financial instruments, our risk management strategies may not be effective and our results of operations could be adversely affected.

Increases in food and commodity costs or shortages or interruptions in the supply or delivery of our food could harm our operating results and the results of our franchisees.

Our profitability and the profitability of our franchisees will depend in part on our ability to anticipate and react to changes in food and commodity and supply costs. With respect to our TH business, volatility in connection with certain key commodities that we purchase in the ordinary course of business can impact our revenues, costs and margins. If commodity prices rise, franchisees may experience reduced sales due to decreased consumer demand at retail prices that have been raised to offset increased commodity prices, which may reduce franchisee profitability. In addition, the markets for beef and chicken are subject to significant price fluctuations due to seasonal shifts, climate conditions, the cost of grain, disease, industry demand, international commodity markets, food safety concerns, product recalls, government regulation and other factors, all of which are beyond our control and, in many instances unpredictable. Such increases in commodity costs may materially and adversely affect our business and operating results.

We and our franchisees are dependent on frequent deliveries of fresh food products that meet our specifications. Shortages or interruptions in the supply of fresh food products caused by unanticipated demand, natural disasters, problems in production or distribution, inclement weather or other conditions could adversely affect the availability, quality and cost of ingredients, which would adversely affect our operating results.

Our supply chain operations subject us to additional risks and may cause our profitability to decline.

We operate a vertically integrated supply chain for our TH business in which we manufacture, warehouse, and distribute certain food and restaurant supplies to our franchise and Company restaurants. There are certain risks associated with this vertical integration growth strategy, including:

- delays and/or difficulties associated with, or liabilities arising from, owning a manufacturing, warehouse and distribution business;
- maintenance, operations and/or management of the facilities, equipment, employees and inventories;
- limitations on the flexibility of controlling capital expenditures and overhead;
- the need for skills and techniques that are outside our traditional core expertise;
- increased transportation, shipping, food and other supply costs;
- inclement weather or extreme weather events;
- shortages or interruptions in the availability or supply of high-quality coffee beans, perishable food products and/or their ingredients;
- variations in the quality of food and beverage products and/or their ingredients; and
- political, physical, environmental, labor, or technological disruptions in our or our suppliers' manufacturing and/or warehousing plants, facilities, or equipment.

If we do not adequately address the challenges related to these vertically integrated operations or the overall level of utilization or production decreases for any reason, our results of operations and financial condition may be adversely impacted. Moreover, interruptions in the availability and delivery of food, beverages and other supplies to our restaurants arising from shortages or greater than expected demand, such as we experienced with the Popeyes Chicken Sandwich in 2019, may increase costs or reduce revenues. As of December 31, 2019, we have only one or a few suppliers to service each category of products sold at our TH and PLK restaurants, and the loss of any one of these suppliers would likely adversely affect our business.

Our success is dependent on securing desirable restaurant locations for each of our brands, and competition for these locations may impact our ability to effectively grow our restaurant portfolios.

The success of any restaurant depends in substantial part on its location. There can be no assurance that the current locations of our restaurants will continue to be attractive as demographic patterns change. Neighborhood or economic conditions where restaurants are located could decline in the future, thus resulting in potentially reduced sales in those locations. Competition for restaurant locations can also be intense and there may be delay or cancellation of new site developments by developers and landlords, which may be exacerbated by factors related to the commercial real estate or credit markets. If franchisees cannot obtain desirable locations for their restaurants at reasonable prices due to, among other things, higher than anticipated acquisition, construction and/or development costs of new restaurants, difficulty negotiating leases with acceptable terms, onerous land use or zoning restrictions, or challenges in securing required governmental permits, then their ability to execute their respective growth strategies may be adversely affected.

The market for retail real estate is highly competitive. Based on their size advantage and/or their greater financial resources, some of our competitors may have the ability to negotiate more favorable lease terms than we can and some landlords and developers may offer priority or grant exclusivity to some of our competitors for desirable locations. As a result, we or our franchisees may not be able to obtain new leases or renew existing leases on acceptable terms, if at all, which could adversely affect our sales and brand-building initiatives.

Our ownership and leasing of significant amounts of real estate exposes us to possible liabilities, losses, and risks.

Many of our system restaurants are located on leased premises. As leases underlying our Company and franchise restaurants expire, we or our franchisees may be unable to negotiate a new lease or lease extension, either on commercially acceptable terms or at all, which could cause us or our franchisees to close restaurants in desirable locations. As a result, our revenues and our brand-building initiatives could be adversely affected. Furthermore, in general, we cannot cancel existing leases; therefore, if an existing or future restaurant is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease. In addition, the value of our owned real estate assets could decrease, and/or our costs could increase, because of changes in the investment climate for real estate, demographic trends, demand for restaurant sites and other retail properties, and exposure to or liability associated with environmental contamination and reclamation.

Typically, the costs of insurance, taxes, maintenance, utilities, and other property-related costs due under a prime lease with a third-party landlord are passed through to the franchisee under our sublease. If a franchisee fails to perform the obligations passed through under the sublease, we will be required to perform these obligations resulting in an increase in our leasing and operational costs and expenses. In addition, the rent a franchisee pays us under the sublease may be based on a percentage of gross sales. If gross sales at a certain restaurant are less than we project we may pay more rent to a third-party landlord under the prime lease than we receive from the franchisee under the sublease. These events could result in an inability to fully recover from the franchisee expenses incurred on leased properties, resulting in increased leasing and operational costs to us.

Food safety concerns and concerns about the health risk of fast food may have an adverse effect on our business.

Food safety is a top priority for us and we dedicate substantial resources to ensure that our customers enjoy safe, high-quality food products. However, food-borne illnesses and other food safety issues have occurred in the food industry in the past and could occur in the future. Furthermore, our reliance on third-party food suppliers and distributors increases the risk that food-borne illness incidents could be caused by factors outside of our control and that multiple locations would be affected rather than a single restaurant. Any report or publicity, including through social media, linking us or one of our franchisees or suppliers to instances of food-borne illness or other food safety issues, including food tampering, adulteration or contamination, could adversely affect our brands and reputation as well as our sales and profits. Such occurrence at restaurants of competitors could adversely affect restaurant sales as a result of negative publicity about the foodservice industry generally. The occurrence of food-borne illnesses or food safety issues could also adversely affect the price and availability of affected ingredients, which could result in disruptions in our supply chain, significantly increase our costs and/or lower margins for us and our franchisees.

Some of our products contain caffeine, dairy products, fats, sugar and other compounds and allergens, the health effects of which are the subject of public scrutiny, including suggesting that excessive consumption of caffeine, beef, sugar and other compounds can lead to a variety of adverse health effects. Particularly in the U.S., there is increasing consumer awareness of the health risks, including obesity, as well as increased consumer litigation based on alleged adverse health impacts of consumption of various food products. An unfavorable report on the health effects of caffeine or other compounds present in our products, or negative publicity or litigation arising from other health risks such as obesity, could significantly reduce the demand for our beverages and food products. A decrease in customer traffic as a result of these health concerns or negative publicity could materially and adversely affect our brands and our business.

Our results can be adversely affected by unforeseen events, such as adverse weather conditions, natural disasters, terrorist attacks or threats, pandemics or other catastrophic events.

Unforeseen events, such as adverse weather conditions, natural disasters or catastrophic events, can adversely impact restaurant sales. Natural disasters such as earthquakes, hurricanes, and severe adverse weather conditions and health pandemics whether occurring in Canada, the United States or abroad, can keep customers in the affected area from dining out, cause damage to or closure of restaurants and result in lost opportunities for our restaurants. For example, the coronavirus outbreak in early 2020 led to a temporary closure of a number of our franchised restaurants in China. In addition, these events could lead to delays or interruptions in the delivery of food or other supplies to our franchised restaurants arising from delays or restrictions on shipping and/or manufacturing. Furthermore, we cannot predict the effects that actual or threatened armed conflicts, terrorist attacks, efforts to combat terrorism or heightened security requirements will have on our future operations. Because a significant portion of our restaurant operating costs are fixed or semi-fixed in nature, the loss of sales during these periods hurts our and our franchisees' operating margins and can result in restaurant operating losses and our loss of royalties.

The loss of key management personnel or our inability to attract and retain new qualified personnel could hurt our business and inhibit our ability to operate and grow successfully.

We are dependent on the efforts and abilities of our senior management, including the executives managing each of our brands, and our success will also depend on our ability to attract and retain additional qualified employees. Failure to attract personnel sufficiently qualified to execute our strategy, or to retain existing key personnel, could have a material adverse effect on our business.

Income tax reform in the US and other jurisdictions could adversely affect us.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The provisions of the Tax Act are complex and likely will be the subject of further regulatory and administrative guidance, which may adversely affect us. Accordingly, our effective tax rate and results of operations could be adversely impacted. Additionally, other jurisdictions have and are considering various tax reform initiatives that may adversely impact us if enacted.

Unanticipated tax liabilities could adversely affect the taxes we pay and our profitability.

We are subject to income and other taxes in Canada, the United States, and numerous foreign jurisdictions. A taxation authority may disagree with certain of our views, including, for example, the allocation of profits by tax jurisdiction, and the deductibility of our interest expense, and may take the position that material income tax liabilities, interest, penalties, or other amounts are payable by us, in which case, we expect to contest such assessment. Contesting such an assessment may be lengthy and costly and if we were unsuccessful, the implications could be materially adverse to us and affect our effective income tax rate or operating income.

From time to time, we are subject to additional state and local income tax audits, international income tax audits and sales, franchise and value-added tax audits. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. There can be no assurance that the Canada Revenue Agency (the "CRA"), the U.S. Internal Revenue Service (the "IRS") and/or foreign tax authorities will agree with our interpretation of the tax aspects of reorganizations, initiatives, transactions, or any related matters associated therewith that we have undertaken.

The results of a tax audit or related litigation could result in us not being in a position to take advantage of the effective income tax rates and the level of benefits that we anticipated to achieve as a result of corporate reorganizations, initiatives and transactions, and the implications could have a material adverse effect on our effective income tax rate, income tax provision, net income (loss) or cash flows in the period or periods for which that determination is made.

The Company and Partnership may be treated as U.S. corporations for U.S. federal income tax purposes, which could subject us and Partnership to substantial additional U.S. taxes.

As Canadian entities, the Company and Partnership generally would be classified as foreign entities (and, therefore, non-U.S. tax residents) under general rules of U.S. federal income taxation. Section 7874 of the Code, however, contains rules that result in a non-U.S. corporation being taxed as a U.S. corporation for U.S. federal income tax purposes, unless certain tests, applied at the time of the acquisition, regarding ownership of such entities (as relevant here, ownership by former Burger King shareholders) or level of business activities (as relevant here, business activities in Canada by us and our affiliates, including Partnership), were satisfied at such time. The U.S. Treasury Regulations apply these same rules to non-U.S. publicly traded partnerships, such as Partnership. These statutory and regulatory rules are relatively new, their application is complex and there is little guidance regarding their application.

If it were determined that we and/or Partnership should be taxed as U.S. corporations for U.S. federal income tax purposes, we and Partnership could be liable for substantial additional U.S. federal income tax. For Canadian tax purposes, we and Partnership are expected, regardless of any application of Section 7874 of the Code, to be treated as a Canadian resident company and partnership, respectively. Consequently, if we and/or Partnership did not satisfy either of the applicable tests, we might be liable for both Canadian and U.S. taxes, which could have a material adverse effect on our financial condition and results of operations.

Future changes to U.S. and non-U.S. tax laws could materially affect RBI and/or Partnership, including their status as foreign entities for U.S. federal income tax purposes, and adversely affect their anticipated financial positions and results.

Changes to the rules in sections 385 and 7874 of the Code or the Treasury Regulations promulgated thereunder, or other changes in law, could adversely affect our and/or Partnership's status as a non-U.S. entity for U.S. federal income tax purposes, our effective income tax rate or future planning based on current law, and any such changes could have prospective or retroactive application to us and/or Partnership. It is presently uncertain whether any such legislative proposals will be enacted into law and, if so, what impact such legislation would have on us. The timing and substance of any such further action is presently uncertain. Any such change of law or regulatory action which could apply retroactively or prospectively, could adversely impact our tax position as well as our financial position and results in a material manner. The precise scope and application of any such regulatory proposals will not be clear until proposed Treasury Regulations are actually issued, and, accordingly, until such regulations are promulgated and fully understood, we cannot be certain that there will be no such impact. In addition, we would be impacted by any changes in tax law in response to corporate tax reforms and other policy initiatives in the U.S. and elsewhere.

Moreover, the U.S. Congress, the Organization for Economic Co-operation and Development and other government agencies in jurisdictions where the Company and its affiliates do business have had an extended focus on issues related to the taxation of multinational corporations. In particular, specific attention has been paid to “base erosion and profit shifting”, where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. As a result, the tax laws in the countries in which we do business could change on a prospective or retroactive basis, and any such change could adversely affect us.

We may not be able to adequately protect our intellectual property, which could harm the value of our brands and branded products and adversely affect our business.

We depend in large part on the value of our brands, which represent approximately 45% of the total assets on our balance sheet as of December 31, 2019. We believe that our brands are very important to our success and our competitive position. We rely on a combination of trademarks, copyrights, service marks, trade secrets, patents, industrial designs, and other intellectual property rights to protect our brands and the respective branded products. The success of our business depends on our continued ability to use our existing trademarks and service marks in order to increase brand awareness and further develop our branded products in both domestic and international markets. We have registered certain trademarks and have other trademark applications pending registration in the U.S., Canada and foreign jurisdictions. Not all of the trademarks that our brands currently use have been registered in all of the countries in which we do business, and they may never be registered in all of these countries. We may not be able to adequately protect our trademarks, and our use of these trademarks may result in liability for trademark infringement, trademark dilution or unfair competition. The steps we have taken to protect our intellectual property in Canada, the U.S. and in foreign countries may not be adequate and our proprietary rights could be challenged, circumvented, infringed or invalidated. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of Canada and the U.S.

We may not be able to prevent third parties from infringing on our intellectual property rights, and we may, from time to time, be required to institute litigation to enforce our trademarks or other intellectual property rights or to protect our trade secrets. Further, third parties may assert or prosecute infringement claims against us and we may or may not be able to successfully defend these claims. Any such litigation could result in substantial costs and diversion of resources and could negatively affect our revenue, profitability and prospects regardless of whether we are able to successfully enforce our rights.

We have been, and in the future may be, subject to litigation that could have an adverse effect on our business.

We may from time to time, in the ordinary course of business, be subject to litigation relating to matters including, but not limited to, disputes with franchisees, suppliers, employees, team members, and customers, as well as disputes over our intellectual property. For example, there have been multiple class action lawsuits filed against us regarding the no-poaching provision of our BK franchise agreements in the U.S. and a similar case has been filed in Canada against TH. Active and potential disputes with franchisees could damage our brand reputation and our relationships with our broader franchise base.

Such litigation may be expensive to defend, harm our reputation and divert resources away from our operations and negatively impact our reported earnings. Furthermore, legal proceedings against a franchisee or its affiliates by third parties, whether in the ordinary course of business or otherwise, may include claims against us by virtue of our relationship with the franchisee.

We, or our business partners, may become subject to claims for infringement of intellectual property rights and we may be required to indemnify or defend our business partners from such claims. Should management’s evaluation of our current exposure to legal matters pending against us prove incorrect and such claims are successful, our exposure could exceed expectations and have a material adverse effect on our business, financial condition and results of operations. Although some losses may be covered by insurance, if there are significant losses that are not covered, or there is a delay in receiving insurance proceeds, or the proceeds are insufficient to offset our losses fully, our financial condition or results of operations may be adversely affected.

Changes in regulations may adversely affect restaurant operations and our financial results.

Our franchise and Company restaurants are subject to licensing and regulation by health, sanitation, safety and other agencies in the state, province and/or municipality in which the restaurant is located. Federal, state, provincial and local government authorities may enact laws, rules or regulations that impact restaurant operations and the cost of conducting those operations. In many of our markets, including Canada, the U.S. and Europe, we and our franchisees are subject to increasing regulation regarding our operations which may significantly increase the cost of doing business. In developing markets, we face the risks associated with new and untested laws and judicial systems. If we fail to comply with existing or future laws, we may be subject to governmental fines and sanctions.

We are subject to various provincial, state and foreign laws that govern the offer and sale of a franchise, including in the U.S., to a Federal Trade Commission ("FTC") rule. Various provincial, state and foreign laws regulate certain aspects of the franchise relationship, including terminations and the refusal to renew franchises. The failure to comply with these laws and regulations in any jurisdiction or to obtain required government approvals could result in a ban or temporary suspension on future franchise sales, fines and penalties or require us to make offers of rescission or restitution, any of which could adversely affect our business and operating results. We could also face lawsuits by franchisees based upon alleged violations of these laws.

Additionally, we, our franchisees and our supply chain are subject to risks and costs arising from the effects of climate change, greenhouse gases, and diminishing energy and water resources. These risks include the increased public focus, including by governmental and nongovernmental organizations, on these and other environmental sustainability matters, such as packaging and waste, animal health and welfare, deforestation and land use. These risks also include the increased pressure to make commitments, set targets or establish additional goals and take actions to meet them. These risks could expose us to market, operational and execution costs or risks. If we are unable to effectively manage the risks associated with our complex regulatory environment, it could have a material adverse effect on our business and financial condition.

The personal information that we collect may be vulnerable to breach, theft, or loss that could adversely affect our reputation, results of operations, and financial condition.

In the ordinary course of our business, we collect, process, transmit, and retain personal information regarding our employees and their families, our franchisees, vendors, and consumers, which can include social security numbers, social insurance numbers, banking and tax identification information, health care information, and credit card information and our franchisees collect similar information. For example, in 2019, we expanded our development and management of our brands' mobile apps, online ordering platforms, and in-restaurant kiosks. While our deployment of such technology facilitates our primary goals of generating both incremental sales at our franchisees' restaurants as well as additional customer awareness and interest in our brands, such deployment also means that we are collecting and responsible for additional personal information about our customers. Some of this personal information is also held and managed by our franchisees and certain of our vendors. A third-party may be able to circumvent the security and business controls we use to limit access and use of personal information, which could result in a breach of employee, consumer, or franchisee privacy.

A major breach, theft, or loss of personal information regarding our employees and their families, our franchisees, vendors, or consumers that is held by us or our vendors could adversely affect our reputation and restaurant operations as well as result in substantial fines, penalties, indemnification claims, and potential litigation against us which could negatively impact our results of operations and financial condition. For example, the European Union adopted the General Data Protection Regulation ("GDPR") that became effective in May 2018, which requires companies to meet certain requirements regarding the handling of personal data. Failure to meet GDPR requirements could result in penalties of up to 4% of worldwide revenue. Furthermore, the collection and safeguarding of personal information has increasingly attracted enhanced scrutiny from the general public in the United States, which has resulted in additional actual and proposed legislative and regulatory rules at both the federal and state levels (e.g., the California Consumer Privacy Act of 2018). As a result of such legislative and regulatory rules, we may be required to notify the owners of the personal information of any data breaches, which could harm our reputation and financial results, as well as subject us to litigation or actions by regulatory authorities. Furthermore, media or other reports of existing or perceived security vulnerabilities in our systems or those of our franchisees or vendors, even if no breach has been attempted or has occurred, can adversely impact our brand and reputation, and thereby materially impact our business.

Significant capital investments and other expenditures could be required to remedy a breach and prevent future problems, including costs associated with additional security technologies, personnel, experts, and credit monitoring services for those whose data has been breached. These costs, which could be material, could adversely impact our results of operations during the period in which they are incurred. The techniques and sophistication used to conduct cyber-attacks and breaches, as well as the sources and targets of these attacks, change frequently and are often not recognized until such attacks are launched or have been in place for a period of time. Accordingly, our expenditures to prevent future cyber-attacks or breaches may not be successful.

Information technology system failures or interruptions or breaches of our network security may interrupt our operations, subject us to increased operating costs and expose us to litigation.

As our reliance on technology has increased, so have the risks posed to our systems. We rely heavily on our computer systems and network infrastructure across operations including, but not limited to, point-of-sale processing at our restaurants, as well as the systems of our third-party vendors to whom we outsource certain administrative functions. Despite our implementation of security measures, all of our technology systems are vulnerable to damage, disruption or failures due to physical theft, fire, power loss,

telecommunications failure, or other catastrophic events, as well as from problems with transitioning to upgraded or replacement systems, internal and external security breaches, denial of service attacks, viruses, worms, and other disruptive problems caused by hackers. If any of our technology systems were to fail and we were unable to recover in a timely way, we could experience an interruption in our operations. Furthermore, if unauthorized access to or use of our systems were to occur, data related to our proprietary information could be compromised. The occurrence of any of these incidents could have a material adverse effect on our future financial condition and results of operations. To the extent that some of our worldwide reporting systems require or rely on manual processes, it could increase the risk of a breach due to human error.

Further, the standards for systems currently used for transmission and approval of electronic payment transactions, and the technology utilized in electronic payment themselves, all of which can put electronic payment data at risk, are determined and controlled by the payment card industry, not by us. If someone is able to circumvent our data security measures or that of third parties with whom we do business, including our franchisees, he or she could destroy or steal valuable information or disrupt our operations. Any security breach could expose us to risks of data loss, litigation, liability, and could seriously disrupt our operations. Any resulting negative publicity could significantly harm our reputation and could materially and adversely affect our business and operating results.

Finally, a number of our systems and processes are not fully integrated worldwide and, as a result, require us to manually estimate and consolidate certain information that we use to manage our business. To the extent that we are not able to obtain transparency into our operations from our systems, it could impair the ability of our management to react quickly to changes in the business or economic environment.

We outsource certain aspects of our business to third-party vendors which subjects us to risks, including disruptions in our business and increased costs.

We have outsourced certain administrative functions for our business to third-party service providers. We also outsource certain information technology support services and benefit plan administration. In the future, we may outsource other functions to achieve cost savings and efficiencies. If the service providers to which we outsource these functions do not perform effectively, we may not be able to achieve the expected cost savings and may have to incur additional costs in connection with such failure to perform. Depending on the function involved, such failures may also lead to business disruption, transaction errors, processing inefficiencies, the loss of sales and customers, the loss of or damage to intellectual property through security breach, and the loss of sensitive data through security breach or otherwise. Any such damage or interruption could have a material adverse effect on our business, cause us to face significant fines, customer notice obligations or costly litigation, harm our reputation with our customers or prevent us from paying our collective suppliers or employees or receiving payments on a timely basis.

Canadian legislation contains provisions that may have the effect of delaying or preventing a change in control.

We are a Canadian entity. *The Investment Canada Act* requires that a "non-Canadian," as defined therein, file an application for review with the Minister responsible for the *Investment Canada Act* and obtain approval of the Minister prior to acquiring control of a Canadian business, where prescribed financial thresholds are exceeded. This may discourage a potential acquirer from proposing or completing a transaction that may otherwise present a premium to shareholders.

Risks Related to our Common Shares

3G RBH owns approximately 32% of the combined voting power with respect to the Company, and its interests may conflict with or differ from the interests of the other shareholders.

3G Restaurant Brands Holdings LP ("3G RBH") currently owns approximately 32% of the combined voting power with respect to the Company. The interests of 3G RBH and its principals may not always be aligned with the interests of the other shareholders of the Company. So long as 3G RBH continues to directly or indirectly own a significant amount of the voting power of the Company, it will continue to be able to strongly influence or effectively control the business decisions of the Company. 3G RBH and its principals may have interests that are different from those of the other shareholders of the Company, and 3G RBH may exercise its voting and other rights in a manner that may be adverse to the interests of such shareholders.

In addition, this concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of the Company, which could cause the market price of the Company's common shares to decline or prevent the Company's shareholders from realizing a premium over the market price for their common shares or Partnership exchangeable units.

3G RBH is affiliated with 3G Capital Partners, Ltd. a global investment firm ("3G Capital"). 3G Capital is in the business of making investments in companies and may from time to time in the future acquire or develop controlling interests in businesses engaged in the QSR industry that complement or directly or indirectly compete with certain portions of our business. In addition, 3G

Capital may pursue acquisitions or opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us.

Future sales of our common shares in the public market could cause volatility in the price of our common shares or cause the share price to fall.

Sales of a substantial number of our common shares in the public market, or the perception that these sales might occur, could depress the market price of our common shares, and could impair our ability to raise capital through the sale of additional equity securities.

Certain holders of our common shares have required and others may require us to register their shares for resale under the U.S. and Canadian securities laws under the terms of certain separate registration rights agreements between us and the holders of these securities. Registration of those shares would allow the holders thereof to immediately resell their shares in the public market. Any such sales, or anticipation thereof, could cause the market price of our common shares to decline.

A shareholder's percentage ownership in us may be diluted by future issuances of capital stock, which could reduce the influence of our shareholders over matters on which our shareholders vote.

Our board of directors has the authority, without action or vote of our shareholders, to issue an unlimited number of common shares. For example, we may issue our securities in connection with investments and acquisitions. The number of common shares issued in connection with an investment or acquisition could constitute a material portion of the then-outstanding common shares and could materially dilute the ownership of our shareholders. Issuances of common shares would reduce the influence of our common shareholders over matters on which our shareholders vote.

There is no assurance that we will pay any cash dividends on our common shares in the future.

Although our board of directors declared a cash dividend on our common shares for each quarter of 2019 and for the first quarter of 2020, any future dividends on our common shares will be determined at the discretion of our board of directors and will depend upon results of operations, financial condition, contractual restrictions, including the terms of the agreements governing our debt and any future indebtedness we may incur, restrictions imposed by applicable law and other factors that our board of directors deems relevant. Although we are targeting a total of $2.08 in declared dividends per common share and Partnership exchangeable unit for 2020, there is no assurance that we will achieve our target total dividend for 2020 and satisfy our debt service and other obligations. Realization of a gain on an investment in our common shares and in Partnership exchangeable units will depend on the appreciation of the price of our common shares and Partnership exchangeable units, which may never occur.

Item 1B. ***Unresolved Staff Comments***

None.

Executive Officers of the Registrant

Set forth below is certain information about our executive officers. Ages are as of the date hereof.

Name	Age	Position
José E. Cil	50	Chief Executive Officer
Matthew Dunnigan	36	Chief Financial Officer
Joshua Kobza	33	Chief Operating Officer
Axel Schwan	46	President, Tim Hortons Americas
Christopher Finazzo	38	President, Burger King Americas
Felipe Athayde	41	President, Popeyes Americas
Fernando Machado	45	Chief Marketing Officer
Jill Granat	54	General Counsel and Corporate Secretary
Jacqueline Friesner	47	Controller and Chief Accounting Officer

José E. Cil. Mr. Cil was appointed Chief Executive Officer of the Company in January 2019, and previously served as President, Burger King since December 2014. Mr. Cil served as Executive Vice President and President of Europe, the Middle East and Africa for Burger King Worldwide and its predecessor from November 2010 until December 2014. Prior to this role, Mr. Cil was Vice President and Regional General Manager for Wal-Mart Stores, Inc. in Florida from February 2010 to November 2010. From September 2008 to January 2010, Mr. Cil served as Vice President of Company Operations of Burger King Corporation and

from September 2005 to September 2008, he served as Division Vice President, Mediterranean and NW Europe Divisions, EMEA of a subsidiary of Burger King Corporation.

Matthew Dunnigan. Mr. Dunnigan was appointed Chief Financial Officer of the Company in January 2018. From October 2014 until January 2018, Mr. Dunnigan held the position of Treasurer, where he took on increasing responsibilities and successfully led all of the Company's capital markets activities. Before he joined the Company, Mr. Dunnigan served as Vice President of Crescent Capital Group LP, from September 2013 through October 2014, where he evaluated investments across the credit markets. Prior to that, Mr. Dunnigan spent three years as a private equity investment professional for H.I.G. Capital.

Joshua Kobza. Mr. Kobza was appointed Chief Operating Officer of the Company in January 2019. Prior to that, Mr. Kobza served as Chief Technology Officer and Development Officer of the Company from January 2018 to January 2019, and as Chief Financial Officer of the Company from December 2014 to January 2018. From April 2013 to December 2014, Mr. Kobza served as Executive Vice President and Chief Financial Officer of Burger King Worldwide. Mr. Kobza joined Burger King Worldwide in June 2012 as Director, Investor Relations, and was promoted to Senior Vice President, Global Finance in December 2012. From January 2011 until June 2012, Mr. Kobza worked at SIP Capital, a Sao Paulo based private investment firm, where he evaluated investments across a number of industries and geographies. From July 2008 until December 2010, Mr. Kobza served as an analyst in the corporate private equity area of the Blackstone Group in New York City.

Axel Schwan. Mr. Schwan was appointed President of Tim Hortons, Canada & America in October 2019. Mr. Schwan served as Global Chief Marketing Officer of Tim Hortons from October 2017 to October 2019 and prior to that served as the Chief Marketing Officer of Burger King from January 2014 to October 2017.

Christopher Finazzo. Mr. Finazzo was appointed President of Burger King, Americas in December 2017. Mr. Finazzo served as Head of Marketing, North America for Burger King from January 2017 to December 2017 and was Head of Development for Burger King from January 2016 to January 2017. Since joining Burger King in May 2014, he has held various roles in marketing and development. Prior to joining Burger King, Mr. Finazzo was on the strategy team at Macy’s.

Felipe Athayde. Mr. Athayde was appointed President of Popeyes, Americas in March 2019. From July 2017 until March 2019, he served as President, Latin American and Caribbean for Burger King, in Miami, Florida. From December 2015 until June 2017, he served as President, U.S. for Burger King and from December 2014 to December 2015 as Executive Vice President, U.S. Development for Tim Hortons. From April 2013 to December 2014, Mr. Athayde was General Manager, U.S. West Division for Burger King.

Fernando Machado. Mr. Machado was appointed Chief Marketing Officer for RBI in January 2019. Mr. Machado served as Chief Marketing Officer of Burger King beginning July 2019 and prior to that served as Head of Brand Marketing, Burger King from October 2017 through June 2019 and Senior Vice President, Global Brand Management of Burger King from March 2014 to October 2017. Prior to joining Burger King, Mr. Machado held several brand development positions at Unilever.

Jill Granat. Ms. Granat was appointed General Counsel and Corporate Secretary of the Company in December 2014. Ms. Granat served as Senior Vice President, General Counsel and Secretary of Burger King Worldwide and its predecessor since February 2011. Prior to this time, Ms. Granat was Vice President and Assistant General Counsel of Burger King Corporation from July 2009 until March 2011. Ms. Granat joined Burger King Corporation in 1998 as a member of the legal department and served in positions of increasing responsibility with Burger King Corporation.

Jacqueline Friesner. Ms. Friesner was appointed Controller and Chief Accounting Officer of the Company in December 2014. Ms. Friesner served as Vice President, Controller and Chief Accounting Officer of Burger King Worldwide and its predecessor from March 2011 until December 2014. Prior thereto, Ms. Friesner served in positions of increasing responsibility with Burger King Corporation. Before joining Burger King Corporation in October 2002, she was an audit manager at Pricewaterhouse Coopers in Miami, Florida.

Item 2. ***Properties***

Our corporate headquarters is located in Toronto, Ontario and consists of approximately 65,000 square feet which we lease. Our U.S. headquarters is located in Miami, Florida and consists of approximately 150,000 square feet which we lease. We also lease office property in Switzerland and Singapore. Related to the TH business, we own five distribution centers and two manufacturing plants throughout Canada. In addition to our corporate headquarters in Toronto, Ontario, we lease one office and one cross-docking facility in Canada and one manufacturing plant in the U.S. In 2018, we announced plans to build two new distribution centers in Western Canada, to replace two existing distribution centers, and to renovate an existing warehouse in Eastern Canada to facilitate the supply of frozen and refrigerated products in those markets. We expect to complete these projects in 2020.

As of December 31, 2019, our restaurant footprint was as follows:

	TH	BK	PLK	Total
Franchise Restaurants[1]				
Sites owned by us and leased to franchisees	763	691	36	1,490
Sites leased by us and subleased to franchisees	2,883	851	48	3,782
Sites owned/leased directly by franchisees	1,264	17,244	3,191	21,699
Total franchise restaurant sites	4,910	18,786	3,275	26,971
Company Restaurants				
Sites owned by us	6	16	10	32
Sites leased by us	16	36	31	83
Total company restaurant sites	22	52	41	115
Total system-wide restaurant sites	4,932	18,838	3,316	27,086

(1) Includes VIE restaurants.

We believe that our existing headquarters and other leased and owned facilities are adequate to meet our current requirements.

Item 3. ***Legal Proceedings***

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

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

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

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

Item 4. ***Mine Safety Disclosures***

Not applicable.

Part II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market for Our Common Shares

Our common shares trade on the New York Stock Exchange ("NYSE") and Toronto Stock Exchange ("TSX") under the ticker symbol "QSR". The Class B exchangeable limited partnership units of Partnership (the "Partnership exchangeable units") trade on the TSX under the ticker symbol "QSP". As of February 10, 2020, there were 22,187 holders of record of our common shares and approximately 7,058 former Tim Hortons shareholders who are entitled to receive common shares of the Company but who have not submitted letters of transmittal to exchange their Tim Hortons common shares.

Dividend Policy

On February 10, 2020, we announced that the board of directors had declared a cash dividend of $0.52 per common share for the first quarter of 2020. The dividend will be paid on April 3, 2020 to common shareholders of record on March 16, 2020. Partnership will also make a distribution in respect of each Partnership exchangeable unit in the amount of $0.52 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 $2.08 in declared dividends per common share and distributions in respect of each Partnership exchangeable unit for 2020.

Although we do not have a formal dividend policy, our board of directors may, subject to compliance with the covenants contained under the agreements governing our debt and other considerations, determine to pay dividends in the future.

Issuer Purchases of Equity Securities

During 2019, Partnership received exchange notices representing 42,016,392 Partnership exchangeable units, including 22,623 during the fourth quarter of 2019. Pursuant to the terms of the partnership agreement, Partnership satisfied the exchange notices by exchanging the Partnership exchangeable units for the same number of our newly issued common shares. During 2018 and 2017, Partnership received exchange notices representing 10,185,333 and 9,286,480 Partnership exchangeable units, respectively. Partnership satisfied the exchange notices by repurchasing 10,000,000 and 5,000,000 Partnership exchangeable units for approximately $561 million and $330 million in cash during 2018 and 2017, respectively, and exchanging the remaining Partnership exchangeable units for the same number of our newly issued common shares. Pursuant to the terms of the partnership agreement, the purchase price for the Partnership exchangeable units was based on the weighted average trading price of our common shares on the NYSE for the 20 consecutive trading days ending on the last business day prior to the exchange date. Upon the exchange of Partnership exchangeable units, each such Partnership exchangeable unit was automatically deemed cancelled concurrently with such exchange.

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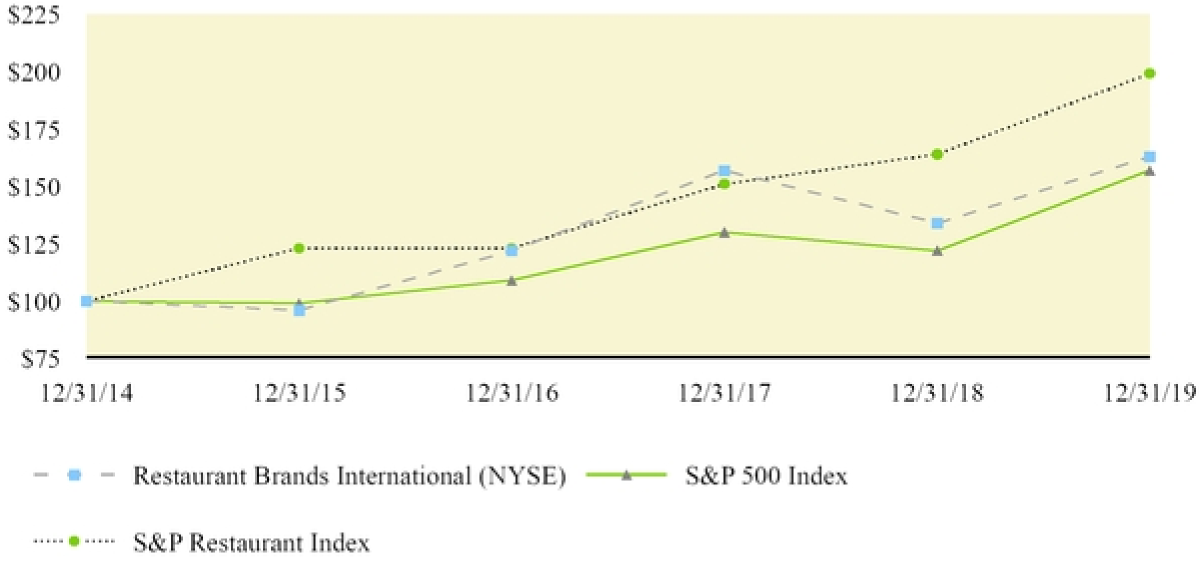
Stock Performance Graph

The following graph shows the Company’s cumulative shareholder returns over the period from December 31, 2014 to December 31, 2019. The graph depicts the total return to shareholders from December 31, 2014 through December 31, 2019, relative to the performance of the Standard & Poor’s 500 Index and the Standard & Poor’s Restaurant Index, a peer group. The graph assumes an investment of $100 in the Company's common stock and each index on December 31, 2014 and the reinvestment of dividends paid since that date. The stock price performance shown in the graph is not necessarily indicative of future price performance.



	12/31/2014		12/31/2015		12/31/2016		12/31/2017		12/31/2018		12/31/2019	
Restaurant Brands International (NYSE)	$	100	$	96	$	122	$	157	$	134	$	163
S&P 500 Index	$	100	$	99	$	109	$	130	$	122	$	157
S&P Restaurant Index	$	100	$	123	$	123	$	151	$	164	$	199

Item 6. *Selected Financial Data*

Unless the context otherwise requires, all references to the "Company", "we", "us" or "our" refer to Restaurant Brands International Inc. 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.

Selected Financial Data

The following tables present our selected historical consolidated financial data as of the dates and for each of the periods indicated. The selected historical financial data as of December 31, 2019 and December 31, 2018 and for 2019, 2018 and 2017 have been derived from our audited consolidated financial statements and notes thereto included in this report. The selected historical financial data as of December 31, 2017, December 31, 2016 and December 31, 2015 and for 2016 and 2015 have been derived from our audited consolidated financial statements and notes thereto, which are not included in this report.

Effective January 1, 2019, we adopted the new lease accounting standard ("New Lease Standard"). Our consolidated financial statements for 2019 reflect the application of the New Lease Standard, while our consolidated financial statements for periods prior to 2019 were prepared under the guidance of the previously applicable lease accounting standard. Effective January 1, 2018, we adopted the new revenue recognition accounting standard ("New Revenue Recognition Standard"). Our consolidated financial statements for 2019 and 2018 reflect the application of the New Revenue Recognition Standard, while our consolidated financial statements for periods prior to 2018 were prepared under the guidance of previously applicable accounting standards.

The selected historical consolidated financial data presented below contain all normal recurring adjustments that, in the opinion of management, are necessary to present fairly our financial position and results of operations as of and for the periods presented. The selected historical consolidated financial data included below and elsewhere in this report are not necessarily indicative of future results. The information presented in this section should be read in conjunction with *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* in Part II, Item 7 and "*Financial Statements and Supplementary Data*" in Part II, Item 8 of this report.

	2019	2018	2017(a)	2016	2015
	(In millions, except per share data)				
Statement of Operations Data:					
Revenues:					
Sales	$ 2,362	$ 2,355	$ 2,390	$ 2,205	$ 2,169
Franchise and property revenues	3,241	3,002	2,186	1,941	1,883
Total revenues	5,603	5,357	4,576	4,146	4,052
Income from operations (b)	2,007	1,917	1,735	1,667	1,192
Net income (b)	1,111	1,144	1,235	956	512
Earnings per common share:					
Basic (c)	$ 2.40	$ 2.46	$ 2.64	$ 1.48	$ 0.51
Diluted (c)	$ 2.37	$ 2.42	$ 2.54	$ 1.45	$ 0.50
Dividends per common share	$ 2.00	$ 1.80	$ 0.78	$ 0.62	$ 0.44
Other Financial Data:					
Net cash provided by operating activities	$ 1,476	$ 1,165	$ 1,391	$ 1,250	$ 1,211
Net cash provided by (used for) investing activities	(30)	(44)	(858)	27	(62)
Net cash used for financing activities	(842)	(1,285)	(936)	(591)	(2,115)

	December 31,				
	2019	2018	2017(a)	2016	2015
			(In millions)		
Balance Sheet Data:					
Cash and cash equivalents	$ 1,533	$ 913	$ 1,097	$ 1,476	$ 792
Total assets	22,360	20,141	21,224	19,125	18,411
Total debt and finance lease obligations	12,148	12,140	12,123	8,723	8,722
Total liabilities	18,101	16,523	16,663	12,339	12,201
Redeemable preferred shares	—	—	—	3,297	3,297
Total equity	4,259	3,618	4,561	3,489	2,913

(a) On March 27, 2017, we acquired PLK. Statement of operations data and other financial data includes PLK results from the acquisition date through December 31, 2017. Balance sheet data includes PLK data as of December 31, 2017.

(b) Amount includes $31 million of Corporate restructuring and tax advisory fees and $6 million of Office centralization and relocation costs for 2019. Amount includes $10 million of PLK Transaction costs, $25 million of Corporate restructuring and tax advisory fees and $20 million of Office centralization and relocation costs for 2018. Amount includes $62 million of PLK Transaction costs and $2 million of Corporate restructuring and tax advisory fees for 2017. Amount includes $16 million of integration costs for 2016 in connection with the implementation of initiatives to integrate the back-office processes of TH and BK to enhance efficiencies. Amount includes $117 million of TH transaction and restructuring costs and $1 million of acquisition accounting impact on cost of sales for 2015.

(c) The diluted earnings per share calculation assumes conversion of 100% of the Partnership exchangeable units under the “if converted” method. Accordingly, the numerator is also adjusted to include the earnings allocated to the holders of noncontrolling interests. For 2017, both basic and diluted earnings per share amount includes a $234 million gain on the redemption of the Company's redeemable preferred shares.

Operating Metrics

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

- System-wide sales growth refers to the percentage change in sales at all franchise restaurants and Company restaurants (referred to as system-wide sales) in one period from the same period in the prior year.
- Comparable sales refers to the percentage change in restaurant sales in one period from the same prior year period for restaurants that have been open for 13 months or longer for TH and BK and 17 months or longer for PLK.
- System-wide sales growth and comparable sales are measured on a constant currency basis, which means the results exclude the effect of foreign currency translation (“FX Impact”). For system-wide sales growth and comparable sales, we calculate the FX Impact by translating prior year results at current year monthly average exchange rates.
- Unless otherwise stated, system-wide sales growth, system-wide sales and comparable sales are presented on a system-wide basis, which means they include franchise restaurants and Company restaurants. System-wide results are driven by our franchise restaurants, as approximately 100% of system-wide restaurants are franchised. Franchise sales represent sales at all franchise restaurants and are revenues to our franchisees. We do not record franchise sales as revenues; however, our royalty revenues are calculated based on a percentage of franchise sales.
- Net restaurant growth refers to the net increase in restaurant count (openings, net of closures) over a trailing twelve month period, divided by the restaurant count at the beginning of the trailing twelve month period.

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.

The following table presents our operating metrics for each of the periods indicated, which have been derived from our internal records. The system-wide sales growth, system-wide sales, comparable sales and net restaurant growth presented for Popeyes are calculated using the historical information from Popeyes when it was under previous ownership for the periods prior to the acquisition date of March 27, 2017. Consequently, these metrics for Popeyes, as well as consolidated system-wide sales and consolidated net restaurant growth, may not necessarily reflect actual data as if Popeyes had been included in our results for the full year 2017. 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.

	2019	2018	2017
System-wide sales growth			
Tim Hortons	(0.3)%	2.4%	3.0 %
Burger King	9.3 %	8.9%	10.1 %
Popeyes (a)	18.5 %	8.9%	5.1 %
Consolidated	8.3 %	7.4%	7.9 %
System-wide sales ($ in millions)			
Tim Hortons	$ 6,716	$ 6,869	$ 6,717
Burger King	$ 22,921	$ 21,624	$ 20,075
Popeyes (a)	$ 4,397	$ 3,732	$ 3,512
Consolidated	$ 34,034	$ 32,225	$ 30,304
Comparable sales			
Tim Hortons	(1.5)%	0.6%	(0.1)%
Burger King	3.4 %	2.0%	3.1 %
Popeyes (a)	12.1 %	1.6%	(1.5)%
Net restaurant growth			
Tim Hortons	1.8 %	2.1%	2.9 %
Burger King	5.9 %	6.1%	6.5 %
Popeyes (b)	6.9 %	7.3%	6.1 %
Consolidated	5.2 %	5.5%	5.8 %
System Restaurant count			
Tim Hortons	4,932	4,846	4,748
Burger King	18,838	17,796	16,767
Popeyes	3,316	3,102	2,892
Consolidated	27,086	25,744	24,407

(a) For 2017, PLK comparable sales, system-wide sales growth and system-wide sales are for the period from December 26, 2016 through December 31, 2017. Comparable sales and system-wide sales growth are calculated using the same period in the prior year (December 26, 2015 through December 31, 2016). Consequently, results for 2019 and 2018 may not be comparable to those of 2017.

(b) For 2017, net restaurant growth is for the period from December 26, 2016 through December 31, 2017.

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

You should read the following discussion together with Part II, Item 6 "Selected Financial Data" of our Annual Report for the year ended December 31, 2019 (our "Annual Report") and our audited Consolidated Financial Statements and the related notes thereto included in Part II, Item 8 "Financial Statements and Supplementary Data" of 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 our 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 the "Company," "we," "us," or "our" are to Restaurant Brands International Inc. and its subsidiaries, collectively.

Overview

We are a Canadian corporation originally formed on August 25, 2014 to serve as the indirect holding company for Tim Hortons and its consolidated subsidiaries and for Burger King and its consolidated subsidiaries. On March 27, 2017, we acquired Popeyes Louisiana Kitchen, Inc. and its consolidated subsidiaries. We are one of the world's largest quick service restaurant ("QSR") companies with more than $34 billion in system-wide sales and over 27,000 restaurants in more than 100 countries and U.S. territories as of December 31, 2019. Our *Tim Hortons®*, *Burger King®*, and *Popeyes®* brands have similar franchise business models with complementary daypart mixes and product platforms. Our three iconic brands are managed independently while benefiting from global scale and sharing of best practices.

Tim Hortons restaurants are quick service restaurants with a menu that includes premium blend coffee, tea, espresso-based hot and cold specialty drinks, fresh baked goods, including donuts, *Timbits®*, bagels, muffins, cookies and pastries, grilled paninis, classic sandwiches, wraps, soups and more. Burger King restaurants are quick service restaurants that feature flame-grilled hamburgers, chicken and other specialty sandwiches, french fries, soft drinks and other affordably-priced food items. Popeyes restaurants are quick service restaurants featuring a unique "Louisiana" style menu that includes fried chicken, chicken tenders, fried shrimp and other seafood, red beans and rice, and other regional items.

We have three operating and reportable segments: (1) Tim Hortons ("TH"); (2) Burger King ("BK"); and (3) Popeyes Louisiana Kitchen ("PLK"). Our business generates revenue from the following sources: (i) franchise revenues, consisting primarily of royalties based on a percentage of sales reported by franchise restaurants and franchise fees paid by franchisees; (ii) property revenues from properties we lease or sublease to franchisees; and (iii) sales at restaurants owned by us ("Company restaurants"). In addition, our Tim Hortons business generates revenue from sales to franchisees related to our supply chain operations, including manufacturing, procurement, warehousing and distribution, as well as sales to retailers.

Recent Events and Factors Affecting Comparability

Transition to New Lease Accounting Standard

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

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

- Beginning on January 1, 2019, we record lease income and lease cost on a gross basis for lessee reimbursements of costs such as property taxes and maintenance when we are the lessor in the lease. Although there was no net impact to our consolidated statement of operations from this change, the presentation resulted in total increases to both franchise and property revenues and franchise and property expenses of $130 million ($85 million related to our TH segment, $43 million related to our BK segment and $2 million related to our PLK segment) during 2019, compared to 2018 and 2017, when such amounts were recorded on a net basis.

- As described in Note 10, *Leases*, to the accompanying audited consolidated financial statements, the transition provisions of ASC 842 required the reclassification of favorable lease assets and unfavorable lease liabilities where we are the lessee in the underlying lease to the right-of-use (“ROU”) asset recorded for the underlying lease. As a result of this reclassification, the amortization period for certain favorable lease assets and unfavorable lease liabilities was reduced, resulting in a $5 million net increase in non-cash amortization expense during 2019 compared to 2018 and 2017. Favorable lease assets and unfavorable lease liabilities associated with leases where we are the lessor were not impacted by our transition to ASC 842.

Please refer to Note 10, *Leases*, to the accompanying audited consolidated financial statements for further details of the effects of this change in accounting principle.

Transition to New Revenue Recognition Accounting Standard

We transitioned to Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (“ASC 606”), effective January 1, 2018 using the modified retrospective method. Our consolidated financial statements for 2019 and 2018 reflect the application of ASC 606 guidance, while our consolidated financial statements for 2017 were prepared under the guidance of previously applicable accounting standards.

Tax Reform

In December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”) that significantly revised the U.S. tax code generally effective January 1, 2018 by, among other changes, lowering the corporate income tax rate from 35% to 21%, limiting deductibility of interest expense and performance based incentive compensation and implementing a modified territorial tax system. As a Canadian entity, we generally would be classified as a foreign entity (and, therefore, a non-U.S. tax resident) under general rules of U.S. federal income taxation. However, we have subsidiaries subject to U.S. federal income taxation and therefore the Tax Act impacted our consolidated results of operations in 2019, 2018 and 2017, and is expected to continue to impact our consolidated results of operations in future periods.

The impacts to our consolidated statements of operations consist of the following (“Tax Act Impact”):

- A provisional benefit of $420 million recorded in our provision from income taxes for 2017 and a final favorable adjustment of $9 million recorded for 2018, as a result of the remeasurement of net deferred tax liabilities.

- Provisional charges of $103 million recorded in 2017 and a final favorable adjustment of $3 million recorded in 2018, related to certain deductions allowed to be carried forward before the Tax Act, which potentially may not be carried forward and deductible under the Tax Act.

- A provisional estimate for a one-time transitional repatriation tax on unremitted foreign earnings (the “Transition Tax”) of $119 million recorded in 2017, most of which had been previously accrued with respect to certain undistributed foreign earnings, and a final favorable adjustment of $15 million (primarily related to utilization of foreign tax credits) recorded in 2018.

- No adjustment to these charges and benefits was made in 2019. However, the provisions of the Tax Act are complex and likely will be the subject of further regulatory and administrative guidance, which we will evaluate as released and may require us to record an additional charge or benefit.

We recorded $31 million, $25 million and $2 million of costs during 2019, 2018 and 2017, respectively, which are classified as selling, general and administrative expenses in our consolidated statements of operations, arising primarily from professional advisory and consulting services associated with corporate restructuring initiatives related to the interpretation and implementation of the Tax Act (“Corporate restructuring and tax advisory fees”).

Popeyes Acquisition and PLK Transaction Costs

As described in Note 3 to the accompanying consolidated financial statements, on March 27, 2017, we completed the acquisition of Popeyes Louisiana Kitchen, Inc. (the "Popeyes Acquisition"). Our 2019 and 2018 consolidated statements of operations includes PLK revenues and segment income for a full fiscal year. Our 2017 consolidated statements of operations includes PLK revenues and segment income from March 28, 2017 through December 31, 2017.

In connection with the Popeyes Acquisition, we incurred certain non-recurring fees and expenses (“PLK Transaction costs”) totaling $10 million during 2018 and $62 million during 2017 consisting primarily of professional fees and compensation related expenses, all of which are classified as selling, general and administrative expenses in the consolidated statements of operations. We did not incur any PLK Transaction costs during 2019.

Office Centralization and Relocation Costs

In connection with the centralization and relocation of our Canadian and U.S. restaurant support centers to new offices in Toronto, Ontario, and Miami, Florida, respectively, we incurred certain non-operational expenses (“Office centralization and relocation costs”) totaling $6 million during 2019 and $20 million during 2018 consisting primarily of moving costs, relocation-driven compensation expenses, and duplicate rent expenses during 2018, which are classified as selling, general and administrative expenses in the consolidated statement of operations. We do not expect to incur any additional Office centralization and relocation costs during 2020.

Results of Operations

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

Consolidated	2019	2018	2017	2019 vs. 2018 Variance	2019 vs. 2018 FX Impact (a)	2019 vs. 2018 Variance Excluding FX Impact	2018 vs. 2017 Variance	2018 vs. 2017 FX Impact	2018 vs. 2017 Variance Excluding FX Impact
				Favorable / (Unfavorable)					
Revenues:									
Sales	$ 2,362	$ 2,355	$ 2,390	$ 7	$ (44)	$ 51	$ (35)	$ 1	$ (36)
Franchise and property revenues	3,241	3,002	2,186	239	(52)	291	816	(10)	826
Total revenues	5,603	5,357	4,576	246	(96)	342	781	(9)	790
Operating costs and expenses:									
Cost of sales	1,813	1,818	1,850	5	34	(29)	32	—	32
Franchise and property expenses	540	422	478	(118)	7	(125)	56	—	56
Selling, general and administrative expenses	1,264	1,214	416	(50)	10	(60)	(798)	—	(798)
(Income) loss from equity method investments	(11)	(22)	(12)	(11)	(3)	(8)	10	—	10
Other operating expenses (income), net	(10)	8	109	18	(3)	21	101	(5)	106
Total operating costs and expenses	3,596	3,440	2,841	(156)	45	(201)	(599)	(5)	(594)
Income from operations	2,007	1,917	1,735	90	(51)	141	182	(14)	196
Interest expense, net	532	535	512	3	—	3	(23)	—	(23)
Loss on early extinguishment of debt	23	—	122	(23)	—	(23)	122	—	122
Income before income taxes	1,452	1,382	1,101	70	(51)	121	281	(14)	295
Income tax (benefit) expense	341	238	(134)	(103)	12	(115)	(372)	(12)	(360)
Net income	$ 1,111	$ 1,144	$ 1,235	$ (33)	$ (39)	$ 6	$ (91)	$ (26)	$ (65)

(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.

TH Segment	2019	2018	2017	2019 vs. 2018 Variance	2019 vs. 2018 FX Impact (a)	2019 vs. 2018 Variance Excluding FX Impact	2018 vs. 2017 Variance	2018 vs. 2017 FX Impact	2018 vs. 2017 Variance Excluding FX Impact
				Favorable / (Unfavorable)					
Revenues:									
Sales	$ 2,204	$ 2,201	$ 2,229	$ 3	$ (44)	$ 47	$ (28)	$ 1	$ (29)
Franchise and property revenues	1,140	1,091	926	49	(22)	71	165	(2)	167
Total revenues	3,344	3,292	3,155	52	(66)	118	137	(1)	138
Cost of sales	1,677	1,688	1,707	11	34	(23)	19	—	19
Franchise and property expenses	358	279	336	(79)	6	(85)	57	1	56
Segment SG&A	309	314	91	5	6	(1)	(223)	—	(223)
Segment depreciation and amortization (b)	106	102	103	(4)	2	(6)	1	1	—
Segment income (c)	1,122	1,127	1,136	(5)	(22)	17	(9)	(1)	(8)

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

(c) TH segment income includes $16 million, $15 million and $13 million of cash distributions received from equity method investments for 2019, 2018 and 2017, respectively.

BK Segment	2019	2018	2017	2019 vs. 2018 Variance	2019 vs. 2018 FX Impact (a)	2019 vs. 2018 Variance Excluding FX Impact	2018 vs. 2017 Variance	2018 vs. 2017 FX Impact	2018 vs. 2017 Variance Excluding FX Impact
				Favorable / (Unfavorable)					
Revenues:									
Sales	$ 76	$ 75	$ 94	$ 1	$ —	$ 1	$ (19)	$ —	$ (19)
Franchise and property revenues	1,701	1,576	1,125	125	(30)	155	451	(7)	458
Total revenues	1,777	1,651	1,219	126	(30)	156	432	(7)	439
Cost of sales	71	67	86	(4)	—	(4)	19	—	19
Franchise and property expenses	168	131	135	(37)	1	(38)	4	(1)	5
Segment SG&A	600	577	143	(23)	3	(26)	(434)	(2)	(432)
Segment depreciation and amortization (b)	49	48	47	(1)	—	(1)	(1)	(1)	—
Segment income (d)	994	928	903	66	(26)	92	25	(9)	34

(d) BK segment income includes $6 million, $5 million and $1 million of cash distributions received from equity method investments for 2019, 2018 and 2017, respectively.

PLK Segment	2019	2018	2017 (e)	2019 vs. 2018 Variance	2019 vs. 2018 FX Impact (a)	2019 vs. 2018 Variance Excluding FX Impact	2018 vs. 2017 Variance	2018 vs. 2017 FX Impact	2018 vs. 2017 Variance Excluding FX Impact
				Favorable / (Unfavorable)					
Revenues:									
Sales	$ 82	$ 79	$ 67	$ 3	$ —	$ 3	$ 12	$ —	$ 12
Franchise and property revenues	400	335	135	65	(1)	66	200	(1)	201
Total revenues	482	414	202	68	(1)	69	212	(1)	213
Cost of sales	65	63	57	(2)	—	(2)	(6)	—	(6)
Franchise and property expenses	14	12	7	(2)	—	(2)	(5)	—	(5)
Segment SG&A	225	193	40	(32)	—	(32)	(153)	—	(153)
Segment depreciation and amortization (b)	11	10	9	(1)	—	(1)	(1)	—	(1)
Segment income	188	157	107	31	(1)	32	50	(1)	51

(e) PLK revenues and segment income from the acquisition date of March 27, 2017 through December 31, 2017 are included in our consolidated statement of operations for 2017.

Comparable Sales

TH comparable sales were (1.5)% during 2019, including Canada comparable sales of (1.4)%.

BK comparable sales were 3.4% during 2019, including U.S. comparable sales of 1.7%.

PLK comparable sales were 12.1% during 2019, including U.S. comparable sales of 13.0%.

Sales and Cost of Sales

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

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

During 2019, the increase in sales was driven by an increase of $47 million in our TH segment, primarily as a result of an increase in supply chain sales, an increase of $3 million in our PLK segment and an increase of $1 million in our BK segment, partially offset by an unfavorable FX Impact of $44 million.

During 2018, the decrease in sales was driven by a decrease of $29 million in our TH segment and a decrease of $19 million in our BK segment, partially offset by an increase of $12 million in our PLK segment, primarily as a result of including PLK for a full year in 2018 compared to nine months in 2017, and a favorable FX Impact of $1 million. The decrease in our TH segment was driven by a $48 million decrease in our TH Company restaurant revenue, primarily from the conversion of Restaurant VIEs to franchise restaurants, partially offset by a $19 million increase in supply chain sales. The increase in supply chain sales was primarily due to the reclassification of revenue from the sales of equipment packages from franchise and property revenues to sales beginning January 1, 2018, partially offset by the non-recurrence of the roll-out of espresso equipment and related espresso inventory in 2017. The decrease in our BK segment was due to Company restaurant refranchisings in prior periods.

During 2019, the decrease in cost of sales was driven primarily by a $34 million favorable FX Impact, partially offset by an increase of $23 million in our TH segment, an increase of $4 million in our BK segment and an increase of $2 million in our PLK segment. The increase in our TH segment was driven primarily by an increase in supply chain cost of sales due to the increase in supply chain sales.

During 2018, the decrease in cost of sales was driven primarily by a decrease of $19 million in each of our TH and BK segments, partially offset by an increase of $6 million in our PLK segment, primarily as a result of including PLK for a full year in 2018 compared to nine months in 2017. The decrease in our TH segment was primarily due to a decrease of $41 million in Company restaurant cost of sales, primarily from the conversion of Restaurant VIEs to franchise restaurants, partially offset by an increase of $22 million in supply chain cost of sales. The increase in supply chain cost of sales was primarily due to the reclassification of costs from the sales of equipment packages from franchise and property expenses to costs of sales beginning January 1, 2018, partially offset by a decrease in costs in connection with the non-recurrence of the roll-out of espresso equipment in 2017. The decrease in our BK segment was due to Company restaurant refranchisings in prior periods.

Franchise and Property

Franchise and property revenues consist primarily of royalties earned on franchise sales, rents from real estate leased or subleased to franchisees, franchise fees, and other revenue. Franchise and property expenses consist primarily of depreciation of properties leased to franchisees, rental expense associated with properties subleased to franchisees, amortization of franchise agreements, and bad debt expense (recoveries). In periods prior to January 1, 2018, franchise and property revenues and franchise and property expenses included revenues and cost of sales, respectively, related to equipment packages sold at establishment of a restaurant and in connection with renewals or renovations.

During 2019, the increase in franchise and property revenues was driven by an increase of $155 million in our BK segment, an increase of $71 million in our TH segment, and an increase of $66 million in our PLK segment, partially offset by a $52 million unfavorable FX Impact. The increases in our BK and PLK segments were primarily driven by increases in royalties as a result of system-wide sales growth. Additionally, the increase in franchise and property revenues in all of our segments during 2019 reflected the gross recognition of property income from lessee reimbursements of costs such as property taxes and maintenance when we are the lessor in the lease as a result of the application of ASC 842 beginning January 1, 2019.

During 2018, the increase in franchise and property revenues was driven by an increase of $458 million in our BK segment, an increase of $201 million in our PLK segment, and an increase of $167 million in our TH segment, partially offset by a $10 million unfavorable FX Impact. The increase in our BK, TH and PLK segments reflects the inclusion of advertising fund contributions from franchisees as a result of the application of ASC 606 beginning January 1, 2018, an increase in PLK franchise and property revenues as a result of including PLK for a full year in 2018 compared to nine months in 2017, and an increase in royalties driven by system-wide sales growth. These factors were partially offset by a decrease in franchise fees and other revenue, primarily due to the deferral of initial and renewal franchise fees as a result of the application of ASC 606 and for our TH segment, the reclassification of revenue from the sales of equipment packages from franchise and property revenues to sales beginning January 1, 2018.

During 2019, the increase in franchise and property expenses was driven by an increase of $85 million in our TH segment, an increase of $38 million in our BK segment, and an increase of $2 million in our PLK segment, partially offset by a $7 million favorable FX Impact. The increase in all of our segments during 2019 was driven by the gross recognition of property expenses for costs such as property taxes and maintenance paid by us and reimbursed by lessees when we are the lessor in the lease as a result of the application of ASC 842 beginning January 1, 2019.

During 2018, the decrease in franchise and property expenses was driven by a decrease of $56 million in our TH segment and a decrease of $5 million in our BK segment, partially offset by an increase of $5 million in our PLK segment, primarily as a result of including PLK for a full year in 2018 compared to nine months in 2017. The decrease in our TH segment was primarily due to the reclassification of expenses from sales of equipment packages from franchise and property expenses to cost of sales beginning January 1, 2018.

Selling, General and Administrative Expenses

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

				2019 vs. 2018		2018 vs. 2017	
	2019	**2018**	**2017**	**$**	**%**	**$**	**%**
				Favorable / (Unfavorable)			
TH Segment SG&A	$ 309	$ 314	$ 91	$ 5	1.6 %	$ (223)	NM
BK Segment SG&A	600	577	143	(23)	(4.0)%	(434)	NM
PLK Segment SG&A	225	193	40	(32)	(16.6)%	(153)	NM
Share-based compensation and non-cash incentive compensation expense	74	55	55	(19)	(34.5)%	—	—%
Depreciation and amortization	19	20	23	1	5.0 %	3	13.0%
PLK Transaction costs	—	10	62	10	100.0 %	52	83.9%
Corporate restructuring and tax advisory fees	31	25	2	(6)	NM	(23)	NM
Office centralization and relocation costs	6	20	—	14	NM	(20)	NM
Selling, general and administrative expenses	$ 1,264	$ 1,214	$ 416	$ (50)	(4.1)%	$ (798)	NM

NM – Not Meaningful

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

During 2019, the increase in Segment SG&A in our BK and PLK segments is primarily due to an increase in advertising fund expenses.

During 2018, TH, BK and PLK Segment SG&A increased primarily due to the inclusion of advertising fund expenses from the application of ASC 606 beginning January 1, 2018.

During 2019, the increase in share-based compensation and non-cash incentive compensation expense was primarily due to an increase in the number of equity awards granted during 2019.

(Income) Loss from Equity Method Investments

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

The change in (income) loss from equity method investments during 2019 was primarily driven by the recognition of a $20 million non-cash dilution gain during 2018 on the initial public offering by one of our equity method investees, partially offset by an $11 million non-cash dilution gain during 2019 from the issuance of additional shares in connection with a merger by one of our equity method investees.

The change in (income) loss from equity method investments during 2018 was primarily driven by the recognition of a $20 million non-cash dilution gain during 2018 (described above), partially offset by an increase in equity method investment net losses that we recognized during 2018.

Other Operating Expenses (Income), net

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

	2019	2018	2017
Net losses (gains) on disposal of assets, restaurant closures and refranchisings	$ 7	$ 19	$ 29
Litigation settlements and reserves, net	2	11	2
Net losses (gains) on foreign exchange	(15)	(33)	77
Other, net	(4)	11	1
Other operating expenses (income), net	$ (10)	$ 8	$ 109

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.

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

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

Other, net during 2018 is comprised primarily of a payment in connection with the settlement of certain provisions associated with the 2017 redemption of our preferred shares as a result of changes in Treasury regulations.

Interest Expense, net

	2019	2018	2017
Interest expense, net	$ 532	$ 535	$ 512
Weighted average interest rate on long-term debt	5.0%	5.0%	4.8%

Interest expense, net for 2019 was consistent with 2018.

During 2018, interest expense, net increased primarily due to higher outstanding debt from the incurrence of incremental term loans and the issuance of senior notes during 2017 and a decrease in interest income, partially offset by a $60 million benefit during 2018 related to the amortization of amounts other than currency movements of our net investment hedges, which is excluded from the accounting hedge.

Loss on Early Extinguishment of Debt

During 2019, we redeemed the entire outstanding principal balance of $1,250 million of 4.625% first lien secured notes due January 15, 2022, made partial principal amount prepayments of our existing senior secured term loan and refinanced our existing senior secured term loan. In connection with these transactions, we recorded a loss on early extinguishment of debt of $23 million that primarily reflects the write-off of unamortized debt issuance costs and discounts and fees incurred.

During 2017, we recorded a $122 million loss on early extinguishment of debt which primarily reflects the payment of premiums to fully redeem our second lien notes and the write-off of unamortized debt issuance costs and discounts in connection with the refinancing of our Term Loan Facility.

Income Tax Expense

Our effective tax rate was 23.5% in 2019 and 17.2% in 2018. The effective tax rate was reduced by 2.2% and 5.0% for 2019 and 2018, respectively, as a result of benefits from stock option exercises. The comparison between 2019 and 2018 was also unfavorably impacted by 2018 reserve releases and settlements, which reduced the 2018 effective tax rate by a net 2.8%. Additionally, the effective tax rate for 2019 increased by 1.1% due to the impact of an increase in our tax provision related to revaluing our Swiss net deferred tax liability due to Swiss tax reform. In 2019, the beneficial impact of internal financing arrangements in various jurisdictions was offset by an increase in the provision for unrecognized tax benefits related to a financing arrangement that is not applicable to ongoing operations.

The change in our effective income tax rate to 17.2% in 2018 from (12.1)% in 2017 is primarily due to the impact of certain aspects of the Tax Act, realignment of certain intercompany financings and changes in foreign currency exchange rates, partially offset by the release of a valuation allowance related to use of capital losses.

Net Income

We reported net income of $1,111 million for 2019 compared to net income of $1,144 million for 2018. The decrease in net income is primarily due to a $103 million increase in income tax expense, a $23 million loss on early extinguishment of debt in the current year, a $19 million increase in share-based compensation and non-cash incentive compensation expense, a $14 million unfavorable change from the impact of equity method investments, a $6 million increase in Corporate restructuring and tax advisory fees, and a $5 million decrease in TH segment income. These factors were partially offset by a $66 million increase in BK segment income, a $31 million increase in PLK segment income, an $18 million favorable change in the results from other operating expenses (income), net, a $14 million decrease in Office centralization and relocation costs and the non-recurrence of $10 million of PLK Transaction costs incurred in the prior period. Amounts above include a total unfavorable FX Impact to net income of $39 million.

We reported net income of $1,144 million for 2018 compared to net income of $1,235 million for 2017. The decrease in net income is primarily due to a $372 million increase in income tax expense, a $23 million increase in interest expense, net, a $23 million increase in Corporate restructuring and tax advisory fees, the inclusion of $20 million of Office centralization and relocation costs, and a $9 million decrease in TH segment income. These factors were partially offset by the non-recurrence of $122 million of loss on early extinguishment of debt recognized in the prior period, a $101 million favorable change in results from other operating expenses (income), net, a $52 million decrease in PLK Transaction costs, a $50 million increase in PLK segment income, primarily as a result of including PLK for a full year in 2018 compared to nine months in 2017, and a $25 million increase in BK segment income. Amounts above include a total unfavorable FX Impact to net income of $26 million.

Non-GAAP Reconciliations

The table below contains information regarding EBITDA and Adjusted EBITDA, which are non-GAAP measures. These non-GAAP measures do not have a standardized meaning under U.S. GAAP and may differ from similar captioned measures of other companies in our industry. We believe that these non-GAAP measures are useful to investors in assessing our operating performance, as it provides them with the same tools that management uses to evaluate our performance and is responsive to questions we receive from both investors and analysts. By disclosing these non-GAAP measures, we intend to provide investors with a consistent comparison of our operating results and trends for the periods presented. EBITDA is defined as earnings (net income or loss) before interest expense, net, loss on early extinguishment of debt, income tax (benefit) expense, and depreciation and amortization and is used by management to measure operating performance of the business. Adjusted EBITDA is defined as EBITDA excluding the non-cash impact of share-based compensation and non-cash incentive compensation expense and (income) loss from equity method investments, net of cash distributions received from equity method investments, as well as other operating expenses (income), net. Other specifically identified costs associated with non-recurring projects are also excluded from Adjusted EBITDA, including PLK Transaction costs, Corporate restructuring and tax advisory fees, and Office centralization and relocation costs. Adjusted EBITDA is used by management to measure operating performance of the business, excluding these non-cash and other specifically identified items that management believes are not relevant to management's assessment of operating performance or the performance of an acquired business. Adjusted EBITDA, as defined above, also represents our measure of segment income for each of our three operating segments.

	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
				Favorable / (Unfavorable)	
Segment income:					
TH	$ 1,122	$ 1,127	$ 1,136	$ (5)	$ (9)
BK	994	928	903	66	25
PLK	188	157	107	31	50
Adjusted EBITDA	2,304	2,212	2,146	92	66
Share-based compensation and non-cash incentive compensation expense	74	55	55	(19)	—
PLK Transaction costs	—	10	62	10	52
Corporate restructuring and tax advisory fees	31	25	2	(6)	(23)
Office centralization and relocation costs	6	20	—	14	(20)
Impact of equity method investments (a)	11	(3)	1	(14)	4
Other operating expenses (income), net	(10)	8	109	18	101
EBITDA	2,192	2,097	1,917	95	180
Depreciation and amortization	185	180	182	(5)	2
Income from operations	2,007	1,917	1,735	90	182
Interest expense, net	532	535	512	3	(23)
Loss on early extinguishment of debt	23	—	122	(23)	122
Income tax (benefit) expense	341	238	(134)	(103)	(372)
Net income	$ 1,111	$ 1,144	$ 1,235	$ (33)	$ (91)

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

Segment income is affected by the application of ASC 606 beginning January 1, 2018, including the deferral of initial and renewal franchise fees and the timing of advertising fund related revenues and expenses. The increase in Adjusted EBITDA for 2019 and 2018 reflects the increases in segment income in our BK and PLK segments, partially offset by decreases in our TH segment. The increase in PLK segment for 2018 is primarily a result of including PLK for a full year in 2018 compared to nine months in 2017.

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

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

Liquidity and Capital Resources

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

At December 31, 2019, we had cash and cash equivalents of $1,533 million and working capital of $493 million. In addition, at December 31, 2019, we had borrowing availability of $998 million under our Revolving Credit Facility (defined below). During 2019, we issued $750 million of 3.875% first lien senior notes and the net proceeds, as well as proceeds received from the Term Loan A (defined below), were used to redeem the entire outstanding principal balance of $1,250 million of our 2015 4.625% Senior Notes (defined below) and prepay $235 million of the Term Loan B (defined below) outstanding aggregate principal balance. Also, in connection with these transactions, the aggregate principal amount of the commitments under our Revolving Credit Facility (defined below) were increased to $1,000 million. Additionally, during 2019, we issued $750 million of 4.375% second lien senior notes and the net proceeds were used to repay $720 million of the Term Loan B outstanding aggregate principal balance. Based on our current level of operations and available cash, we believe our cash flow from operations, combined with availability under our Revolving Credit Facility, will provide sufficient liquidity to fund our current obligations, debt service requirements and capital spending over the next twelve months.

On August 2, 2016, our board of directors approved a share repurchase authorization that allows us to purchase up to $300 million of our common shares through July 2021. Repurchases under the Company’s authorization will be made in the open market or through privately negotiated transactions. On August 2, 2019, we announced that the Toronto Stock Exchange (the “TSX”) had accepted the notice of our intention to renew the normal course issuer bid. Under this normal course issuer bid, we are permitted to repurchase up to 24,853,565 common shares for the one-year period commencing on August 8, 2019 and ending on August 7, 2020, or earlier if we complete the repurchases prior to such date. Share repurchases under the normal course issuer bid will be made through the facilities of the TSX, the New York Stock Exchange (the “NYSE”) and/or other exchanges and alternative Canadian or foreign trading systems, if eligible, or by such other means as may be permitted by the TSX and/or the NYSE under applicable law. Shareholders may obtain a copy of the prior notice, free of charge, by contacting us.

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

Debt Instruments and Debt Service Requirements

As of December 31, 2019, our long-term debt consists primarily of borrowings under our Credit Facilities, amounts outstanding under our 2017 4.25% Senior Notes, 2019 3.875% Senior Notes, 2017 5.00% Senior Notes, 2019 4.375% Senior Notes and TH Facility (each as defined below), and obligations under finance leases. For further information about our long-term debt, see Note 9 to the accompanying consolidated financial statements included in Part II, Item 8 "Financial Statements and Supplementary Data" of our Annual Report.

Credit Facilities

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

Prior to obtaining the Term Loan A, our Credit Facilities included only one senior secured term loan facility (the "Term Loan B"). In September 2019, we voluntarily prepaid $235 million principal amount of our Term Loan B.

On November 19, 2019, the Borrowers entered into a fourth amendment (the "Fourth Amendment") to the credit agreement governing our Credit Facilities. Under the Fourth Amendment, (i) the outstanding aggregate principal amount under our Term Loan B was decreased to $5,350 million as a result of a repayment of $720 million from a portion of the net proceeds of the 2019 4.375% Senior Notes (defined below), (ii) the interest rate applicable to our Term Loan B was reduced to, at our option, either (a) a base rate, subject to a floor of 1.00%, plus an applicable margin of 0.75%, or (b) a Eurocurrency rate, subject to a floor of 0.00%, plus an applicable margin of 1.75%, and (iii) the maturity date of our Term Loan B was extended from February 17, 2024 to November 19, 2026. The principal amount of the Term Loan B amortizes in quarterly installments equal to $13 million until maturity, with the balance payable at maturity. Except as described herein, the Fourth Amendment did not materially change the terms of the Credit Facilities.

As of December 31, 2019, there was $6,100 million outstanding principal amount under the Term Loan Facilities with a weighted average interest rate of 3.49%. Based on the amounts outstanding under the Term Loan Facilities and LIBOR as of December 31, 2019, subject to a floor of 0.00%, required debt service for the next twelve months is estimated to be approximately $215 million in interest payments and $72 million in principal payments. In addition, based on LIBOR as of December 31, 2019, net cash settlements that we expect to pay on our $4,000 million interest rate swaps are estimated to be approximately $23 million for the next twelve months. The Term Loan A matures on October 7, 2024 and the Term Loan B matures on November 19, 2026, and 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, 2019, we had no amounts outstanding under the Revolving Credit Facility, had $2 million of letters of credit issued against the Revolving Credit Facility, and our borrowing availability was $998 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. Under the Fourth Incremental Amendment, the interest rate applicable to amounts drawn under each letter of credit decreased from a range of 1.25% to 2.00% to a range of 0.75% to 1.50%, depending on our net first lien leverage ratio.

Obligations under the Credit Facilities are guaranteed on a senior secured basis, jointly and severally, by the direct parent company of one of the Borrowers and substantially all of its Canadian and U.S. subsidiaries, including The TDL Group Corp., Burger King Worldwide, Inc., Popeyes Louisiana Kitchen, Inc. and substantially all of their respective Canadian and U.S. subsidiaries (the “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.

Senior Notes

In May 2017, the Borrowers entered into an indenture (the “2017 4.25% Senior Notes Indenture”) in connection with the issuance of $1,500 million of 4.25% first lien senior secured notes due May 15, 2024 (the “2017 4.25% Senior Notes”). No principal payments are due until maturity and interest is paid semi-annually.

During 2017, the Borrowers entered into an indenture (the “2017 5.00% Senior Notes Indenture”) in connection with the issuance in August 2017 and October 2017 of an aggregate of $2,800 million of 5.00% second lien senior secured notes due October 15, 2025 (the “2017 5.00% Senior Notes”). No principal payments are due until maturity and interest is paid semi-annually.

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

On November 19, 2019, the Borrowers entered into an indenture (the "2019 4.375% Senior Notes Indenture" and together with the above indentures the "Senior Notes Indentures") in connection with the issuance of $750 million of 4.375% second lien senior notes due January 15, 2028 (the "2019 4.375% Senior Notes"). No principal payments are due until maturity and interest is paid semi-annually. The net proceeds from the offering of the 2019 4.375% Senior Notes, together with cash on hand, were used to repay $720 million of Term Loan B outstanding aggregate principal balance and to pay related fees and expenses in connection with the Fourth Amendment.

The Borrowers may redeem a series of Senior Notes, in whole or in part, at any time prior to May 15, 2020 for the 2017 4.25% Senior Notes, September 15, 2022 for the 2019 3.875% Senior Notes, October 15, 2020 for the 2017 5.00% Senior Notes, and November 15, 2022 for the 2019 4.375% Senior Notes, 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. In addition, the Borrowers may redeem, in whole or in part, the 2017 4.25% Senior Notes, 2019 3.875% Senior Notes, 2017 5.00% Senior Notes, and 2019 4.375% Senior Notes on or after the applicable date noted above, at the redemption prices set forth in the applicable Senior Notes Indenture. 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, 2019, required debt service for the next twelve months on all of the Senior Notes outstanding is approximately $266 million in interest payments.

TH Facility

One of our subsidiaries entered into a non-revolving delayed drawdown term credit facility in a total aggregate principal amount of C$225 million (increased from C$100 million during 2019) with a maturity date of October 4, 2025 (the “TH Facility”). The interest rate applicable to the TH Facility is the Canadian Bankers’ Acceptance rate plus an applicable margin equal to 1.40% or the Prime Rate plus an applicable margin equal to 0.40%, at our option. Obligations under the TH Facility are guaranteed by three of our subsidiaries, and amounts borrowed under the TH Facility are secured by certain parcels of real estate. As of December 31, 2019, we had outstanding C$100 million under the TH Facility with a weighted average interest rate of 3.45% and we are permitted to draw down on the TH Facility until May 23, 2020.

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. In addition, 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.

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, 2019, we were in compliance with applicable debt covenants under the Credit Facilities, the TH 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 and TH Facility.

Cash Dividends

On January 3, 2020, we paid a dividend of $0.50 per common share and Partnership made a distribution in respect of each Partnership exchangeable unit in the amount of $0.50 per Partnership exchangeable unit.

On February 10, 2020, we announced that the board of directors had declared a quarterly cash dividend of $0.52 per common share for the first quarter of 2020, payable on April 3, 2020 to common shareholders of record on March 16, 2020.

Partnership will also make a distribution in respect of each Partnership exchangeable unit in the amount of $0.52 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 $2.08 in declared dividends per common share and distributions in respect of each Partnership exchangeable unit for 2020.

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 10, 2020, we had outstanding 298,425,192 common shares and one special voting share. The special voting share is held by a trustee, entitling the trustee to that number of votes on matters on which holders of common shares are entitled to vote equal to the number of Partnership exchangeable units outstanding. The trustee is required to cast such votes in accordance with voting instructions provided by holders of Partnership exchangeable units. At any shareholder meeting of the Company, holders of our common shares vote together as a single class with the special voting share except as otherwise provided by law. For information on our share-based compensation and our outstanding equity awards, see Note 15 to the accompanying consolidated financial statements included in Part II, Item 8 “Financial Statements and Supplementary Data” of our Annual Report.

There were 165,372,429 Partnership exchangeable units outstanding as of February 10, 2020. Since December 12, 2015, the holders of Partnership exchangeable units have had the right to require Partnership to exchange all or any portion of such holder’s Partnership exchangeable units for our common shares at a ratio of one share for each Partnership exchangeable unit, subject to our right as the general partner of Partnership to determine to settle any such exchange for a cash payment in lieu of our common shares.

Comparative Cash Flows

Operating Activities

Cash provided by operating activities was $1,476 million in 2019, compared to $1,165 million in 2018. The increase in cash provided by operating activities was driven by a decrease in income tax payments, primarily due to the 2018 payment of accrued income taxes related to the December 2017 redemption of preferred shares, an increase in BK and PLK segment income and a decrease in cash used for working capital. These factors were partially offset by an increase in interest payments and a decrease in TH segment income.

Cash provided by operating activities was $1,165 million in 2018, compared to $1,391 million in 2017. The decrease in cash provided by operating activities was driven by an increase in income tax payments, primarily due to the payment of accrued income taxes related to the December 2017 redemption of preferred shares, increases in interest payments and Corporate restructuring and tax advisory fees and Office centralization and relocation costs incurred in the current year. These factors were partially offset by an increase in PLK segment income, primarily as a result of including PLK for a full year in 2018 compared to nine months in 2017, an increase in BK segment income, a decrease in PLK Transaction costs and a decrease in cash used for working capital.

Investing Activities

Cash used for investing activities was $30 million in 2019, compared to $44 million in 2018. The change in investing activities was driven primarily by a decrease in capital expenditures.

Cash used for investing activities was $44 million in 2018, compared to $858 million in 2017. The change in investing activities was driven primarily by net cash used for the Popeyes Acquisition during 2017, partially offset by proceeds from the settlement of derivatives in 2017 and an increase in capital expenditures during 2018.

Financing Activities

Cash used for financing activities was $842 million in 2019, compared to $1,285 million in 2018. The change in financing activities was driven primarily by proceeds from the Term Loan A and the issuances of the 2019 3.875% Senior Notes and the 2019 4.375% Senior Notes during 2019, an increase in proceeds from stock option exercises, proceeds from derivatives and the non-recurrence of the 2018 payments in connection with the December 2017 redemption of preferred shares. These factors were partially offset by the redemption of the 2015 4.625% Senior Notes during 2019, Term Loan B prepayments and refinancing during 2019, an increase in RBI common share dividends and distributions on Partnership exchangeable units and payment of financing costs.

Cash used for financing activities was $1,285 million in 2018, compared to $936 million in 2017. The change in financing activities was driven primarily by an increase in RBI common share dividends and distributions on Partnership exchangeable units during 2018, an increase in payments in connection with the repurchase of Partnership exchangeable units, the 2018 payments in connection with the December 2017 redemption of preferred shares and a decrease in proceeds from the issuance of long-term debt. These factors were partially offset by non-recurring uses of cash for financing activities in 2017, including the redemption of the preferred shares, payment of financing costs, and preferred dividend payments, a decrease in debt repayments in 2018 and an increase in proceeds from stock option exercises in 2018.

Contractual Obligations and Commitments

Our significant contractual obligations and commitments as of December 31, 2019 are shown in the following table.

	Payment Due by Period				
Contractual Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
			(In millions)		
Credit Facilities, including interest (a)	$ 7,474	$ 289	$ 575	$ 1,422	$ 5,188
Senior Notes, including interest	7,387	266	531	4,964	1,626
Other long-term debt	91	4	12	75	—
Operating lease obligations (b)	1,760	204	371	313	872
Purchase commitments (c)	659	612	43	4	—
Finance lease obligations	462	46	88	79	249
Total	$ 17,833	$ 1,421	$ 1,620	$ 6,857	$ 7,935

(a) We have estimated our interest payments through the maturity of our Credit Facilities based on the one-month LIBOR as of December 31, 2019.
(b) Operating lease payment obligations have not been reduced by the amount of payments due in the future under subleases.
(c) Includes open purchase orders, as well as commitments to purchase certain food ingredients and advertising expenditures, and obligations related to information technology and service agreements.

We have not included in the contractual obligations table approximately $598 million of gross liabilities for unrecognized tax benefits 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 11 to the accompanying 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, 2019, 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:

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, and the *Popeyes* 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 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, 2019, 2018 and 2017 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) 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.

During 2017, we recorded provisional estimates for the income tax effects of the Tax Act in accordance with SAB 118, which established a one-year measurement period where a provisional amount could be subject to adjustment. We finalized these provisional estimates during 2018 and reflected such refinements as discrete items along with the 2018 income tax effects of the Tax Act based on applicable regulations and guidance issued to date. No further adjustments to the charges were made in 2019. Given the complexity of the changes in the tax law resulting from the Tax Act, further regulations and guidance are expected to be issued by applicable authorities (e.g., Treasury, IRS, state taxing authorities) subsequent to the date of filing. Accordingly, it is possible that the amounts recorded may be impacted by such future developments. Any adjustments to the amounts recorded will be reflected as discrete items in the provision for income taxes in the period in which those adjustments become reasonably estimable.

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.

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.

In prior periods, we provided deferred taxes on certain undistributed foreign earnings. Under our transition to a modified territorial tax system whereby all previously untaxed undistributed foreign earnings are subject to a transition tax charge at reduced rates and future repatriations of foreign earnings will generally be exempt from U.S. tax, we wrote off the existing deferred tax liability on undistributed foreign earnings and recorded the impact of the new transition tax charge on foreign earnings. 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 11 to the accompanying 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,"* to the accompanying consolidated financial statements included in Part II, Item 8 "Financial Statements and Supplementary Data" of our Annual Report for a discussion of 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. The operations of each of TH, BK, and PLK 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 BK franchisees in our European markets and in certain other countries are denominated in currencies other than U.S. dollars. Furthermore, franchise royalties from each of TH's, BK's, and PLK's international 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.

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 $2,100 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 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 $144 million as of December 31, 2019. The net unrealized losses, net of tax, related to these derivative instruments included in AOCI totaled $122 million as of December 31, 2019. 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 and certain intercompany 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 2019, income from operations would have decreased or increased approximately $119 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 LIBOR plus a spread, subject to a LIBOR 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 LIBOR 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, 2019, 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 November 19, 2026 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 LIBOR as of December 31, 2019, a hypothetical 1.00% increase in LIBOR would increase our annual interest expense by approximately $21 million.

There is currently uncertainty about whether LIBOR will continue to exist after 2021. The discontinuation of LIBOR after 2021 and the replacement with an alternative reference rate may adversely impact interest rates and our interest expense could increase.

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 margins as many of 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

We believe that our results of operations are not materially impacted by moderate changes in the inflation rate. Inflation did not have a material impact on our operations in 2019, 2018 or 2017. However, severe 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, 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.sedar.com and at www.sec.gov. For a description of our common shares, see the Company's Registration Statement on Form S-4 (File No. 333-198769).

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 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, Partnership will deliver or cause the transfer agent to deliver to the relevant holder, as applicable (i) the applicable number of exchanged shares, or (ii) 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 the 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 benefits of our fully franchised business model; (iii) the domestic and international growth opportunities for the Tim Hortons, Burger King and Popeyes brands, both in existing and new markets; (iv) 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; (v) our continued use of joint ventures structures and master franchise and development agreements in connection with our domestic and international expansion; (vi) the impact of our strategies on the growth of our Tim Hortons, Burger King and Popeyes brands and our profitability; (vii) our commitment to technology and innovation and our plans and strategies with respect to our information systems and technology offerings and investments; (viii) the correlation between our sales, guest traffic and profitability to consumer discretionary spending and the factors that influence spending; (ix) our ability to drive traffic, expand our customer base and allow restaurants to expand into new dayparts through new product innovation; (x) the benefits accrued from sharing and leveraging best practices among our Tim Hortons, Burger King and Popeyes brands; (xi) 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; (xii) the impact of our cost management initiatives at each of our brands; (xiii) the continued use of certain franchise incentives and their impact on our financial results; (xiv) the impact of our modern image remodel initiative; (xv) our future financial obligations, including annual debt service requirements and capital expenditures, the source of liquidity needed to satisfy such obligations, and our ability to meet such obligations; (xvi) our future uses of liquidity, including dividend payments and share repurchases; (xvii) future Corporate restructuring and tax advisory fees; (xviii) our plans to build new warehouses and renovate existing warehouses and the anticipated timing for completion; (xix) 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; (xx) our tax positions and their compliance with applicable tax laws; (xxi) certain accounting matters, including the impact of changes in accounting standards; (xxii) certain tax matters, such as our estimates with respect to tax matters as a result of the Tax Act, including our effective tax rate for 2020 and the impacts of the Tax Act; (xxiii) the impact of inflation on our results of operations; (xxiv) the impact of governmental regulation, both domestically and internationally, on our business and financial and operational results; (xxv) the adequacy of our facilities to meet our current requirements; (xxvi) our future financial and operational results; (xxvii) certain litigation matters; (xxviii) our target total dividend for 2020; and (xxix) our sustainability initiatives and the impact of government sustainability regulation and initiatives.

These forward looking statements represent management's expectations as of the date hereof. These forward-looking statements are based on certain assumptions and analyses that we made in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. However, these forward-looking statements are subject to a number of risks and uncertainties and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results, level of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements include, among other things, risks related to: (1) our substantial indebtedness, which could adversely affect our financial condition and prevent us from fulfilling our obligations; (2) global economic or other business conditions that may affect the desire or ability of our customers to purchase our products such as inflationary pressures, high unemployment levels, declines in median income growth, consumer confidence and consumer discretionary spending and changes in consumer perceptions of dietary health and food safety; (3) our relationship with, and the success of, our franchisees and risks related to our fully franchised business model; (4) the effectiveness of our marketing and advertising programs and franchisee support of these programs; (5) significant and rapid fluctuations in interest rates and in the currency exchange markets and the effectiveness of our hedging activity; (6) our ability to successfully implement our domestic and international growth strategy for each of our brands and risks related to our international operations; (7) our reliance on master franchisees and subfranchisees to accelerate restaurant growth; (8) the ability of the counterparties to our credit facilities' and derivatives' to fulfill their commitments and/or obligations; (9) changes in applicable tax laws or interpretations thereof; and (10) risks related to the complexity of the Tax Act and our ability to accurately interpret and predict its impact on our financial condition and results.

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 our 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 on SEDAR. 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.*

Item 8. ***Financial Statements and Supplementary Data***

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Management's Report on Internal Control Over Financial Reporting

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

Management is also responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2019. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019 based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment and those criteria, management determined that the Company's internal control over financial reporting was effective as of December 31, 2019.

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

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019 has been audited by KPMG LLP, the Company's independent registered public accounting firm, as stated in its report which is included herein.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Restaurant Brands International Inc. and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 21, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Changes in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019, due to the adoption of Accounting Standards Codification ("ASC") Topic 842, *Leases*, and for revenue from contracts with customers as of January 1, 2018, due to the adoption of ASC Topic 606, *Revenue from Contracts with Customers*.

Basis for Opinion

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

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

Critical Audit Matter

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

Assessment of Gross Unrecognized Tax Benefits

As discussed in Notes 2 and 11 to the consolidated financial statements, the Company records a liability for unrecognized tax benefits associated with uncertain tax positions. The Company recognizes tax benefits from uncertain tax positions only if there is more than a 50% likelihood that the tax positions will be sustained upon examination by the taxing authorities, based on the technical merits of the positions. As of December 31, 2019, the Company has recorded gross unrecognized tax benefits, excluding associated interest and penalties, of $506 million.

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

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company’s gross unrecognized tax benefit process to 1) interpret tax law, 2) identify significant uncertain tax positions arising from tax planning strategies that were implemented during the year, 3) evaluate the tax consequences of the related strategies, and 4) evaluate which of the Company’s tax positions may not be sustained upon examination. In addition, we involved tax professionals with specialized skills and knowledge, who assisted in:

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

(signed) KPMG LLP

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

Miami, Florida
February 21, 2020

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited Restaurant Brands International Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the "consolidated financial statements"), and our report dated February 21, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

(signed) KPMG LLP

Miami, Florida
February 21, 2020

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RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In millions of U.S. dollars, except share data)

	As of December 31,	
	2019	**2018**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,533	$ 913
Accounts and notes receivable, net of allowance of $13 and $14, respectively	527	452
Inventories, net	84	75
Prepaids and other current assets	52	60
Total current assets	2,196	1,500
Property and equipment, net of accumulated depreciation and amortization of $746 and $704, respectively	2,007	1,996
Operating lease assets, net	1,176	—
Intangible assets, net	10,563	10,463
Goodwill	5,651	5,486
Net investment in property leased to franchisees	48	54
Other assets, net	719	642
Total assets	$ 22,360	$ 20,141
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts and drafts payable	$ 644	$ 513
Other accrued liabilities	790	637
Gift card liability	168	167
Current portion of long term debt and finance leases	101	91
Total current liabilities	1,703	1,408
Term debt, net of current portion	11,759	11,823
Finance leases, net of current portion	288	226
Operating lease liabilities, net of current portion	1,089	—
Other liabilities, net	1,698	1,547
Deferred income taxes, net	1,564	1,519
Total liabilities	18,101	16,523
Commitments and contingencies (Note 18)		
Shareholders' equity:		
Common shares, no par value; unlimited shares authorized at December 31, 2019 and December 31, 2018; 298,281,081 shares issued and outstanding at December 31, 2019; 251,532,493 shares issued and outstanding at December 31, 2018	2,478	1,737
Retained earnings	775	674
Accumulated other comprehensive income (loss)	(763)	(800)
Total Restaurant Brands International Inc. shareholders' equity	2,490	1,611
Noncontrolling interests	1,769	2,007
Total shareholders' equity	4,259	3,618
Total liabilities and shareholders' equity	$ 22,360	$ 20,141

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

By: /s/ Daniel Schwartz
Daniel Schwartz, Co-Chairman

By: /s/ Ali Hedayat
Ali Hedayat, Director

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

	2019	2018	2017
Revenues:			
Sales	$ 2,362	$ 2,355	$ 2,390
Franchise and property revenues	3,241	3,002	2,186
Total revenues	5,603	5,357	4,576
Operating costs and expenses:			
Cost of sales	1,813	1,818	1,850
Franchise and property expenses	540	422	478
Selling, general and administrative expenses	1,264	1,214	416
(Income) loss from equity method investments	(11)	(22)	(12)
Other operating expenses (income), net	(10)	8	109
Total operating costs and expenses	3,596	3,440	2,841
Income from operations	2,007	1,917	1,735
Interest expense, net	532	535	512
Loss on early extinguishment of debt	23	—	122
Income before income taxes	1,452	1,382	1,101
Income tax expense (benefit)	341	238	(134)
Net income	1,111	1,144	1,235
Net income attributable to noncontrolling interests (Note 14)	468	532	587
Preferred shares dividends	—	—	256
Gain on redemption of preferred shares (Note 13)	—	—	(234)
Net income attributable to common shareholders	$ 643	$ 612	$ 626
Earnings per common share:			
Basic	$ 2.40	$ 2.46	$ 2.64
Diluted	$ 2.37	$ 2.42	$ 2.54
Weighted average shares outstanding:			
Basic	268	249	237
Diluted	469	473	477

See accompanying notes to consolidated financial statements.

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

	2019	2018	2017
Net income	$ 1,111	$ 1,144	$ 1,235
Foreign currency translation adjustment	409	(831)	824
Net change in fair value of net investment hedges, net of tax of $32, $(101), and $13	(86)	282	(371)
Net change in fair value of cash flow hedges, net of tax of $29, $7, and $4	(77)	(19)	(11)
Amounts reclassified to earnings of cash flow hedges, net of tax of $(6), $(5), and $(9)	15	14	25
Gain (loss) recognized on defined benefit pension plans, net of tax of $1, $0, and $2	(2)	1	4
Other comprehensive income (loss)	259	(553)	471
Comprehensive income (loss)	1,370	591	1,706
Comprehensive income (loss) attributable to noncontrolling interests	571	276	818
Comprehensive income (loss) attributable to preferred shareholders	—	—	22
Comprehensive income (loss) attributable to common shareholders	$ 799	$ 315	$ 866

See accompanying notes to consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
(In millions of U.S. dollars, except shares)

	Issued Common Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Shares	Amount				
Balances at December 31, 2016	234,236,678	$ 1,955	$ 446	$ (698)	$ 1,786	$ 3,489
Stock option exercises	5,102,046	29	—	—	—	29
Share-based compensation	—	46	—	—	—	46
Issuance of shares	274,272	8	—	—	—	8
Dividends declared on common shares ($0.78 per share)	—	—	(186)	—	—	(186)
Dividend equivalents declared on restricted stock units	—	2	(2)	—	—	—
Distributions declared by Partnership on partnership exchangeable units ($0.78 per unit)	—	—	—	—	(175)	(175)
Preferred share dividends	—	—	(256)	—	—	(256)
Repurchase of Partnership exchangeable units for RBI common shares	—	(272)	—	(9)	(49)	(330)
Exchange of Partnership exchangeable units for RBI common shares	4,286,480	50	—	(8)	(42)	—
Restaurant VIE contributions (distributions)	—	—	—	—	(4)	(4)
Gain on redemption of preferred shares (Note 13)	—	234	—	—	—	234
Net income	—	—	649	—	586	1,235
Other comprehensive income (loss)	—	—	—	239	232	471
Balances at December 31, 2017	243,899,476	$ 2,052	$ 651	$ (476)	$ 2,334	$ 4,561
Cumulative effect adjustment (Note 16)	—	—	(132)	—	(118)	(250)
Stock option exercises	7,221,947	61	—	—	—	61
Share-based compensation	—	48	—	—	—	48
Issuance of shares	225,737	7	—	—	—	7
Dividends declared on common shares ($1.80 per share)	—	—	(452)	—	—	(452)
Dividend equivalents declared on restricted stock units	—	5	(5)	—	—	—
Distributions declared by Partnership on partnership exchangeable units ($1.80 per units)	—	—	—	—	(387)	(387)
Repurchase of Partnership exchangeable units	—	(438)	—	(26)	(97)	(561)
Exchange of Partnership exchangeable units for RBI common shares	185,333	2	—	(1)	(1)	—
Net income	—	—	612	—	532	1,144
Other comprehensive income (loss)	—	—	—	(297)	(256)	(553)
Balances at December 31, 2018	251,532,493	$ 1,737	$ 674	$ (800)	$ 2,007	$ 3,618
Cumulative effect adjustment (Note 10)	—	—	12	—	9	21
Stock option exercises	4,495,897	102	—	—	—	102
Share-based compensation	—	68	—	—	—	68
Issuance of shares	236,299	7	—	—	—	7
Dividends declared on common shares ($2.00 per share)	—	—	(545)	—	—	(545)
Dividend equivalents declared on restricted stock units	—	9	(9)	—	—	—
Distributions declared by Partnership on partnership exchangeable units ($2.00 per unit)	—	—	—	—	(382)	(382)
Exchange of Partnership exchangeable units for RBI common shares	42,016,392	555	—	(119)	(436)	—
Net income	—	—	643	—	468	1,111
Other comprehensive income (loss)	—	—	—	156	103	259
Balances at December 31, 2019	298,281,081	$ 2,478	$ 775	$ (763)	$ 1,769	$ 4,259

See accompanying notes to consolidated financial statements.

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RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In millions of U.S. dollars)

	2019	2018	2017
Cash flows from operating activities:			
Net income	$ 1,111	$ 1,144	$ 1,235
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	185	180	182
Premiums paid and non-cash loss on early extinguishment of debt	16	—	119
Amortization of deferred financing costs and debt issuance discount	29	29	33
(Income) loss from equity method investments	(11)	(22)	(12)
Loss (gain) on remeasurement of foreign denominated transactions	(14)	(33)	77
Net (gains) losses on derivatives	(49)	(40)	31
Share-based compensation expense	68	48	48
Deferred income taxes	58	29	(742)
Other	6	5	18
Changes in current assets and liabilities, excluding acquisitions and dispositions:			
Accounts and notes receivable	(53)	19	(30)
Inventories and prepaids and other current assets	(15)	(7)	19
Accounts and drafts payable	112	41	14
Other accrued liabilities and gift card liability	(51)	(219)	360
Tenant inducements paid to franchisees	(54)	(52)	(20)
Other long-term assets and liabilities	138	43	59
Net cash provided by operating activities	1,476	1,165	1,391
Cash flows from investing activities:			
Payments for property and equipment	(62)	(86)	(37)
Net proceeds from disposal of assets, restaurant closures and refranchisings	8	8	26
Net payment for purchase of Popeyes, net of cash acquired	—	—	(1,636)
Settlement/sale of derivatives, net	24	17	772
Other investing activities, net	—	17	17
Net cash used for investing activities	(30)	(44)	(858)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	2,250	75	5,850
Repayments of long-term debt and finance leases	(2,266)	(74)	(2,742)
Payments in connection with redemption of preferred shares	—	(60)	(3,006)
Payment of financing costs	(50)	(3)	(63)
Payment of dividends on common and preferred shares and distributions on Partnership exchangeable units	(901)	(728)	(664)
Repurchase of Partnership exchangeable units	—	(561)	(330)
Proceeds from stock option exercises	102	61	29
Proceeds from derivatives	23	—	—
Other financing activities, net	—	5	(10)
Net cash used for financing activities	(842)	(1,285)	(936)
Effect of exchange rates on cash and cash equivalents	16	(20)	24
Increase (decrease) in cash and cash equivalents	620	(184)	(379)
Cash and cash equivalents at beginning of period	913	1,097	1,476
Cash and cash equivalents at end of period	$ 1,533	$ 913	$ 1,097
Supplemental cash flow disclosures:			

Interest paid	$	584	$	561	$	447
Income taxes paid	$	248	$	433	$	200

See accompanying notes to consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Description of Business and Organization

Description of Business

Restaurant Brands International Inc. (the “Company,” “RBI,” “we,” “us” or “our”) was formed on August 25, 2014 and continued under the laws of Canada. The Company serves as the sole general partner of Restaurant Brands International Limited Partnership (the “Partnership”). We franchise and operate quick service restaurants serving premium coffee and other beverage and food products under the *Tim Hortons®* brand (“Tim Hortons” or “TH”), fast food hamburgers principally under the *Burger King®* brand (“Burger King” or “BK”), and chicken under the *Popeyes®* brand (“Popeyes” or “PLK”). We are one of the world’s largest quick service restaurant, or QSR, companies as measured by total number of restaurants. As of December 31, 2019, we franchised or owned 4,932 Tim Hortons restaurants, 18,838 Burger King restaurants, and 3,316 Popeyes restaurants, for a total of 27,086 restaurants, and operate in more than 100 countries and U.S. territories. Approximately 100% of current system-wide restaurants are franchised.

All references to “$” or “dollars” are to the currency of the United States unless otherwise indicated. All references to “Canadian dollars” or “C$” are to the currency of Canada unless otherwise indicated.

Note 2. Significant Accounting Policies

Basis of Presentation

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) and related rules and regulations of the U.S. Securities and Exchange Commission requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Principles of Consolidation

The consolidated financial statements (the "Financial Statements") include our accounts and the accounts of entities in which we have a controlling financial interest, the usual condition of which is ownership of a majority voting interest. All material intercompany balances and transactions have been eliminated in consolidation. Investments in other affiliates that are owned 50% or less where we have significant influence are accounted for by the equity method.

We are the sole general partner of Partnership and, as such we have the exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of Partnership, subject to the terms of the partnership agreement of Partnership (“partnership agreement”) and applicable laws. As a result, we consolidate the results of Partnership and record a noncontrolling interest in our consolidated balance sheets and statements of operations with respect to the remaining economic interest in Partnership we do not hold.

We also consider for consolidation entities in which we have certain interests, where the controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a variable interest entity (“VIE”), is required to be consolidated by its primary beneficiary. The primary beneficiary is the entity that possesses the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the right to receive benefits from the VIE that are significant to it. Our maximum exposure to loss resulting from involvement with VIEs is attributable to accounts and notes receivable balances, outstanding loan guarantees and future lease payments, where applicable.

As our franchise and master franchise arrangements provide the franchise and master franchise entities the power to direct the activities that most significantly impact their economic performance, we do not consider ourselves the primary beneficiary of any such entity that might be a VIE.

Tim Hortons has historically entered into certain arrangements in which an operator acquires the right to operate a restaurant, but Tim Hortons owns the restaurant’s assets. In these arrangements, Tim Hortons has the ability to determine which operators manage the restaurants and for what duration. We perform an analysis to determine if the legal entity in which operations are conducted is a VIE and consolidate a VIE entity if we also determine Tim Hortons is the entity’s primary beneficiary (“Restaurant VIEs”). As of December 31, 2019 and 2018, we determined that we are the primary beneficiary of 35 and 17 Restaurant VIEs, respectively, and accordingly, have consolidated the results of operations, assets and liabilities, and cash flows of these Restaurant VIEs in our Financial Statements.

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

Reclassifications

Certain prior year amounts in the accompanying consolidated financial statements and notes to the consolidated financial statements have been reclassified in order to be comparable with the current year classifications.

Foreign Currency Translation and Transaction Gains and Losses

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

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

Cash and Cash Equivalents

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

Inventories

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

Property and Equipment, net

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

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

Leases

We transitioned to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"), from ASC Topic 840, *Leases* (the "Previous Standard") on January 1, 2019. Our Financial Statements reflect the application of ASC 842 guidance beginning in 2019, while our Financial Statements for prior periods were prepared under the guidance of the Previous Standard. See Note 10, *Leases*, for further information about our transition to this new lease guidance on a modified retrospective basis using the effective date transition method.

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

Lessor Accounting

We recognize lease payments for operating leases as property revenue on a straight-line basis over the lease term, and property revenue is presented net of any related sales tax. Lease incentive payments we make to lessees are amortized as a reduction in property revenue over the lease term. In accordance with ASC 842, we account for reimbursements of maintenance and property tax costs paid to us by lessees as property revenue. These expenses and reimbursements were presented on a net basis under the Previous Standard.

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

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

Lessee Accounting

In accordance with ASC 842, in leases where we are the lessee, we recognize a right-of-use ("ROU") asset and lease liability at lease commencement, which are measured by discounting lease payments using our incremental borrowing rate as the discount rate. We determine the incremental borrowing rate applicable to each lease by reference to our outstanding secured borrowings and implied spreads over the risk-free discount rates that correspond to the term of each lease, as adjusted for the currency of the lease. Subsequent amortization of the ROU asset and accretion of the lease liability for an operating lease is recognized as a single lease cost, on a straight-line basis, over the lease term. Reductions of the ROU asset and the change in the lease liability are included in changes in Other long-term assets and liabilities in the Consolidated Statement of Cash Flows.

Under the Previous Standard, we did not recognize assets and liabilities for the rights and obligations created by operating leases and recorded rental expense for operating leases on a straight-line basis over the lease term, net of any applicable lease incentive amortization.

A finance lease ROU asset is depreciated on a straight-line basis over the lesser of the useful life of the leased asset or lease term. Interest on each finance lease liability is determined as the amount that results in a constant periodic discount rate on the remaining balance of the liability. Operating lease and finance lease ROU assets are assessed for impairment in accordance with our long-lived asset impairment policy.

We reassess lease classification and remeasure ROU assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate contract or upon certain other events that require reassessment in accordance with ASC 842. Maintenance and property tax expenses are accounted for on an accrual basis as variable lease cost.

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

Goodwill and Intangible Assets Not Subject to Amortization

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed in connection with the acquisition of Popeyes in 2017, the acquisition of Tim Hortons in 2014 and the acquisition of Burger King Holdings, Inc. by 3G Capital Partners Ltd. in 2010. Our indefinite-lived intangible assets consist of the *Tim Hortons* brand, the *Burger King* brand, and the *Popeyes* 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 unit, or if a qualitative assessment indicates it is more-likely-than-not that the estimated carrying value of a reporting unit exceeds its fair value, we perform a quantitative goodwill impairment test that requires us to estimate the fair value of the reporting unit. If the fair value of the reporting unit is less than its carrying amount, we will measure any goodwill impairment loss as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

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

estimate the fair value of the Brand and compare it to its carrying amount. If the carrying amount exceeds fair value, an impairment loss is recognized in an amount equal to that excess.

We completed our impairment tests for goodwill and the Brands as of October 1, 2019, 2018 and 2017 and no impairment resulted.

Long-Lived Assets

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

Other Comprehensive Income (Loss)

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

Derivative Financial Instruments

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

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

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

Disclosures about Fair Value

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

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

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

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

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

We carry all of our derivatives at fair value and value them using various pricing models or discounted cash flow analysis that incorporate observable market parameters, such as interest rate yield curves and currency rates, which are Level 2 inputs. Derivative

valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by the counterparty or us. For disclosures about the fair value measurements of our derivative instruments, see Note 12, *Derivative Instruments*.

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

	As of December 31,	
	2019	**2018**
Fair value of our variable term debt and senior notes	$ 12,075	$ 11,237
Principal carrying amount of our variable term debt and senior notes	11,900	11,888

The determinations of fair values of certain tangible and intangible assets for purposes of the application of the acquisition method of accounting to the acquisition of Popeyes were based upon Level 3 inputs. The determination of fair values of our reporting units and the determination of the fair value of the Brands for impairment testing using a quantitative approach during 2019 and 2018 were based upon Level 3 inputs.

Revenue Recognition

We transitioned to FASB ASC Topic 606, *Revenue From Contracts with Customers* ("ASC 606"), from ASC Topic 605, *Revenue Recognition* and ASC Subtopic 952-605, *Franchisors - Revenue Recognition* (together, the "Previous Standards") on January 1, 2018 using the modified retrospective transition method. Our Financial Statements reflect the application of ASC 606 guidance beginning in 2018, while our Financial Statements for periods prior to 2018 were prepared under the guidance of the Previous Standards.

Sales

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

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

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

Franchise revenues

Franchise revenues consist primarily of royalties, advertising fund contributions, initial and renewal franchise fees and upfront fees from development agreements and master franchise and development agreements ("MFDAs"). Under franchise agreements, we provide franchisees with (i) a franchise license, which includes a license to use our intellectual property and, in those markets where our subsidiaries manage an advertising fund, advertising and promotion management, (ii) pre-opening services, such as training and inspections, and (iii) ongoing services, such as development of training materials and menu items and restaurant monitoring and inspections. The services we provide under franchise agreements are highly interrelated and dependent upon the franchise license and we concluded the services do not represent individually distinct performance obligations. Consequently, we bundle the franchise license performance obligation and promises to provide services into a single performance obligation under ASC 606, which we satisfy by providing a right to use our intellectual property over the term of each franchise agreement.

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

Under the Previous Standards, initial franchise fees were recognized as revenue when the related restaurant commenced operations and our completion of all material services and conditions. Renewal franchise fees were recognized as revenue upon execution of a new franchise agreement. Our performance obligation under development agreements other than MFDAs generally consists of an obligation to grant exclusive development rights over a stated term. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchise restaurant opened by the franchisee. The pro rata amount apportioned to each restaurant is accounted for as an initial franchise fee.

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

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

Property revenues

Property revenues consists of rental income from properties we lease or sublease to franchisees. Property revenues are accounted for in accordance with applicable accounting guidance for leases and are excluded from the scope of ASC 606.

Advertising and Promotional Costs

Company restaurants and franchise restaurants contribute to advertising funds that our subsidiaries manage in the United States and Canada and certain other international markets. The advertising funds expense the production costs of advertising when the advertisements are first aired or displayed. All other advertising and promotional costs are expensed in the period incurred. Under our franchise agreements, advertising contributions received from franchisees must be spent on advertising, product development, marketing and related activities. As a result of our transition to ASC 606, advertising contributions received from franchisees are included in franchise and property revenues and advertising expenses are included as selling, general and administrative expenses commencing on January 1, 2018. Advertising expenses included in selling, general and administrative expenses totaled $858 million for 2019 and $793 million for 2018. Prior to January 1, 2018, since we were deemed to be acting as an agent for these specifically designated contributions in accordance with the Previous Standards, the revenues and expenses of the advertising funds were generally netted in our consolidated statements of operations.

Prior to our transition to ASC 606, advertising expenses, which primarily consisted of advertising contributions by Company restaurants (including Restaurant VIEs) based on a percentage of gross sales, totaled $7 million for 2017 and were included in selling, general and administrative expenses in the accompanying consolidated statements of operations. As a result of our transition to ASC 606, the advertising contributions by Company restaurants (including Restaurant VIEs) are eliminated in consolidation in 2019 and 2018.

Deferred Financing Costs

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

Income Taxes

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

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

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

Share-based Compensation

Compensation expense related to the issuance of share-based awards to our employees is measured at fair value on the grant date. We use the Black-Scholes option pricing model to value stock options. The compensation expense for awards that vest over a future service period is recognized over the requisite service period on a straight-line basis, adjusted for estimated forfeitures of awards that are not expected to vest. We use historical data to estimate forfeitures for share-based awards. The compensation expense for awards that do not require future service is recognized immediately. Upon the end of the service period, compensation expense is adjusted to account for the actual forfeiture rate. Cash settled share-based awards are classified as liabilities and are re-measured at the end of each reporting period. The compensation expense for awards that contain performance conditions is recognized when it is probable that the performance conditions will be achieved.

Restructuring

The determination of when we accrue for employee involuntary termination benefits depends on whether the termination benefits are provided under an on-going benefit arrangement or under a one-time benefit arrangement. We record charges for ongoing benefit arrangements in accordance with ASC Topic 712, *Nonretirement Postemployment Benefits*. We record charges for one-time benefit arrangements in accordance with ASC Topic 420, *Exit or Disposal Cost Obligations*.

New Accounting Pronouncements

Lease Accounting – In February 2016, the FASB issued new guidance on leases. We adopted this new guidance on January 1, 2019. See Note 10, *Leases*, for further information about our transition to this new lease accounting standard.

Goodwill Impairment – In January 2017, the FASB issued guidance to simplify how an entity measures goodwill impairment by removing the second step of the two-step quantitative goodwill impairment test. An entity will no longer be required to perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, impairment will be measured at the amount by which the carrying value exceeds the fair value of a reporting unit; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The amendment requires prospective adoption and is effective commencing in 2020 with early adoption permitted. We early adopted this new guidance and it did not have a material impact on our Financial Statements.

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

Share-based payment arrangements with nonemployees – In June 2018, the FASB issued guidance which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The amendment was effective commencing in 2019 with early adoption permitted. The adoption of this new guidance did not have a material impact on our Financial Statements.

Credit Losses – In June 2016, the FASB issued guidance that requires companies to measure and recognize lifetime expected credit losses for certain financial instruments, including trade accounts receivable and net investments in direct financing and sales-type leases. Expected credit losses are estimated using relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This amendment is effective commencing in 2020, using a modified retrospective approach. We are currently evaluating the impact that the adoption of this new guidance will have on our Financial Statements, but do not currently anticipate this adoption will have a material impact on our Financial Statements.

Simplifying the Accounting for Income Taxes – In December 2019, the FASB issued guidance which simplifies the accounting for income taxes by removing certain exceptions and by clarifying and amending existing guidance applicable to accounting for income taxes. The amendment is effective commencing in 2021 with early adoption permitted. We are currently evaluating the impact that the adoption of this new guidance will have on our Financial Statements.

Note 3. Popeyes Acquisition

On March 27, 2017, we completed the acquisition of all of the outstanding shares of common stock of Popeyes Louisiana Kitchen, Inc. (the "Popeyes Acquisition"). Popeyes Louisiana Kitchen, Inc. is one of the world's largest chicken quick service restaurant companies and its global footprint complements RBI's existing portfolio. Like our other brands, the *Popeyes* brand is managed independently, while benefiting from our global scale and resources. The Popeyes Acquisition was accounted for as a business combination using the acquisition method of accounting.

Total consideration in connection with the Popeyes Acquisition was $1,655 million, which includes $33 million for the settlement of equity awards. The consideration was funded through (1) cash on hand of approximately $355 million, and (2) $1,300 million from incremental borrowings under our Term Loan Facility.

Fees and expenses related to the Popeyes Acquisition and related financings totaled $34 million consisting primarily of professional fees and compensation related expenses, all of which are classified as selling, general and administrative expenses in the accompanying consolidated statements of operations. These fees and expenses were funded through cash on hand.

The final allocation of consideration to the net tangible and intangible assets acquired is presented in the table below (in millions):

	March 27, 2017
Total current assets	$ 64
Property and equipment	114
Intangible assets	1,405
Other assets	1
Total current liabilities	(73)
Total debt and capital lease obligations	(159)
Deferred income taxes	(523)
Other liabilities	(20)
Total identifiable net assets	809
Goodwill	846
Total consideration	$ 1,655

Intangible assets include $1,355 million related to the *Popeyes* brand, $41 million related to franchise agreements and $9 million related to favorable leases. The *Popeyes* brand has been assigned an indefinite life and, therefore, will not be amortized, but rather tested annually for impairment. Franchise agreements have a weighted average amortization period of 17 years. Favorable leases have a weighted average amortization period of 14 years.

Goodwill attributable to the Popeyes Acquisition will not be amortizable or deductible for tax purposes. Goodwill is considered to represent the value associated with the workforce and synergies anticipated to be realized as a combined company.

The Popeyes Acquisition is not material to our Financial Statements, and therefore, supplemental pro forma financial information related to the acquisition is not included herein.

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Note 4. Earnings per Share

An economic interest in Partnership common equity is held by the holders of Class B exchangeable limited partnership units (the "Partnership exchangeable units"), which is reflected as a noncontrolling interest in our equity. See Note 14, *Shareholders' Equity*.

Basic and diluted earnings per share is computed using the weighted average number of shares outstanding for the period. We apply the treasury stock method to determine the dilutive weighted average common shares represented by Partnership exchangeable units and outstanding equity awards, unless the effect of their inclusion is anti-dilutive. The diluted earnings per share calculation assumes conversion of 100% of the Partnership exchangeable units under the "if converted" method. Accordingly, the numerator is also adjusted to include the earnings allocated to the holders of noncontrolling interests.

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

	2019	2018	2017
Numerator:			
Net income attributable to common shareholders - basic	$ 643	$ 612	$ 626
Add: Net income attributable to noncontrolling interests	466	531	585
Net income available to common shareholders and noncontrolling interests - diluted	$ 1,109	$ 1,143	$ 1,211
Denominator:			
Weighted average common shares - basic	268	249	237
Exchange of noncontrolling interests for common shares (Note 14)	194	216	226
Effect of other dilutive securities	7	8	14
Weighted average common shares - diluted	469	473	477
Basic earnings per share (a)	$ 2.40	$ 2.46	$ 2.64
Diluted earnings per share (a)	$ 2.37	$ 2.42	$ 2.54
Anti-dilutive securities outstanding	3	3	4

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

Note 5. Property and Equipment, net

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

	As of December 31,	
	2019	2018
Land	$ 1,006	$ 998
Buildings and improvements	1,148	1,145
Restaurant equipment	109	99
Furniture, fixtures, and other	210	182
Finance leases	245	257
Construction in progress	35	19
	2,753	2,700
Accumulated depreciation and amortization	(746)	(704)
Property and equipment, net	$ 2,007	$ 1,996

Depreciation and amortization expense on property and equipment totaled $136 million for 2019, $148 million for 2018 and $150 million for 2017.

Included in our property and equipment, net at December 31, 2019 and 2018 are $222 million and $180 million, respectively, of assets leased under finance leases (mostly buildings and improvements), net of accumulated depreciation and amortization of $23 million and $77 million, respectively.

Note 6. Intangible Assets, net and Goodwill

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

	As of December 31,					
	2019			2018		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Identifiable assets subject to amortization:						
Franchise agreements	$ 720	$ (225)	$ 495	$ 705	$ (194)	$ 511
Favorable leases (a)	127	(65)	62	407	(200)	207
Subtotal	847	(290)	557	1,112	(394)	718
Indefinite lived intangible assets:						
Tim Hortons brand	$ 6,534	$ —	$ 6,534	$ 6,259	$ —	$ 6,259
Burger King brand	2,117	—	2,117	2,131	—	2,131
Popeyes brand	1,355	—	1,355	1,355	—	1,355
Subtotal	10,006	—	10,006	9,745	—	9,745
Intangible assets, net			$ 10,563			$ 10,463
Goodwill						
Tim Hortons segment	$ 4,207			$ 4,038		
Burger King segment	598			602		
Popeyes segment	846			846		
Total	$ 5,651			$ 5,486		

(a) The decrease in favorable leases primarily reflects the reclassification of favorable leases where we are the lessee to operating lease right-of-use assets in connection with our transition to ASC 842. See Note 10, *Leases*.

Amortization expense on intangible assets totaled $44 million for 2019, $70 million for 2018, and $72 million for 2017. The change in the brands and goodwill balances during 2019 was due principally to the impact of foreign currency translation.

As of December 31, 2019, the estimated future amortization expense on identifiable assets subject to amortization is as follows (in millions):

Twelve-months ended December 31,	Amount
2020	$ 44
2021	41
2022	40
2023	38
2024	36
Thereafter	358
Total	$ 557

Note 7. Equity Method Investments

The aggregate carrying amount of our equity method investments was $266 million and $259 million as of December 31, 2019 and 2018, respectively, and is included as a component of Other assets, net in our consolidated balance sheets. TH and BK both have equity method investments. PLK does not have any equity method investments.

With respect to our TH business, the most significant equity method investment is our 50.0% joint venture interest with The Wendy's Company (the "TIMWEN Partnership"), which jointly holds real estate underlying Canadian combination restaurants. Distributions received from this joint venture were $13 million, $13 million and $12 million during 2019, 2018 and 2017, respectively.

The aggregate market value of our 15.4% equity interest in Carrols Restaurant Group, Inc. ("Carrols") based on the quoted market price on December 31, 2019 is approximately $66 million. The aggregate market value of our 9.8% equity interest in BK Brasil Operação e Assessoria a Restaurantes S.A. based on the quoted market price on December 31, 2019 is approximately $99 million. No quoted market prices are available for our other equity method investments.

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

	2019	2018	2017
Revenues from affiliates:			
Royalties	$ 345	$ 310	$ 175
Property revenues	33	36	27
Franchise fees and other revenue	10	11	26
Total	$ 388	$ 357	$ 228

We recognized rent expense associated with the TIMWEN Partnership of $19 million, $20 million, and $20 million during 2019, 2018 and 2017, respectively.

At December 31, 2019 and 2018, we had $47 million and $41 million, respectively, of accounts receivable from our equity method investments which were recorded in accounts and notes receivable, net in our consolidated balance sheets.

(Income) loss from equity method investments reflects our share of investee net income or loss, non-cash dilution gains or losses from changes in our ownership interests in equity method investees and basis difference amortization. We recorded increases to the carrying value of our equity method investment balances and non-cash dilution gains in the amounts of $11 million and $20 million during 2019 and 2018, respectively. No non-cash dilution gains were recorded during 2017. The dilution gains resulted from the issuance of capital stock by our equity method investees, which reduced our ownership interests in these equity method investments. The dilution gains we recorded in connection with the issuance of capital stock reflect adjustments to the differences between the amount of underlying equity in the net assets of equity method investees before and after their issuance of capital stock.

Note 8. Other Accrued Liabilities and Other Liabilities

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

	As of December 31,	
	2019	2018
Current:		
Dividend payable	$ 232	$ 207
Interest payable	71	87
Accrued compensation and benefits	57	69
Taxes payable	126	113
Deferred income	35	27
Accrued advertising expenses	40	30
Restructuring and other provisions	8	11
Current portion of operating lease liabilities (a)	126	—
Other	95	93
Other accrued liabilities	$ 790	$ 637
Non-current:		
Taxes payable	$ 579	$ 493
Contract liabilities (see Note 16)	541	486
Derivatives liabilities	341	179
Unfavorable leases (b)	103	192
Accrued pension	65	64
Accrued lease straight-lining liability (b)	—	69
Deferred income	25	22
Other	44	42
Other liabilities, net	$ 1,698	$ 1,547

(a) Represents the current portion of operating lease liabilities recognized in connection with our transition to ASC 842. See Note 10, *Leases*.

(b) The decreases in unfavorable leases and accrued lease straight-lining liability reflect the reclassification of unfavorable leases and lease straight-lining liability where we are the lessee in the underlying operating lease to the right-of-use assets recorded for the underlying lease in connection with our transition to ASC 842. See Note 10, *Leases*.

Note 9. Long-Term Debt

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

	As of December 31,	
	2019	2018
Term Loan B (due November 19, 2026)	$ 5,350	$ 6,338
Term Loan A (due October 7, 2024)	750	—
2015 4.625% Senior Notes (due January 15, 2022)	—	1,250
2017 4.25% Senior Notes (due May 15, 2024)	1,500	1,500
2019 3.875% Senior Notes (due January 15, 2028)	750	—
2017 5.00% Senior Notes (due October 15, 2025)	2,800	2,800
2019 4.375% Senior Notes (due January 15, 2028)	750	—
Other (a)	81	150
Less: unamortized deferred financing costs and deferred issuance discount	(148)	(145)
Total debt, net	11,833	11,893
Less: current maturities of debt	(74)	(70)
Total long-term debt	$ 11,759	$ 11,823

(a) The decrease in Other reflects the derecognition of obligations associated with build-to-suit leases recorded under the Previous Standard. Liabilities associated with build-to-suit leases were remeasured and recorded as finance lease liabilities in conjunction with our transition to ASC 842.

Credit Facilities

On September 6, 2019, two of our subsidiaries (the "Borrowers") entered into a fourth incremental facility amendment (the "Fourth Incremental Amendment") to the credit agreement governing our senior secured term loan facilities (the "Term Loan Facilities") and our senior secured revolving credit facility (including revolving loans, swingline loans and letters of credit) (the "Revolving Credit Facility" and together with the Term Loan Facilities, the "Credit Facilities"). Under the Fourth Incremental Amendment, (i) we obtained a new term loan in the aggregate principal amount of $750 million (the "Term Loan A") with a maturity date of October 7, 2024 (subject to earlier maturity in specified circumstances), (ii) the interest rate applicable to the Term Loan A and Revolving Credit Facility is, at our option, either (a) a base rate, subject to a floor of 1.00%, plus an applicable margin varying from 0.00% to 0.50%, or (b) a Eurocurrency rate, subject to a floor of 0.00%, plus an applicable margin varying between 0.75% and 1.50%, in each case, determined by reference to a net first lien leverage based pricing grid, (iii) the aggregate principal amount of the commitments under our Revolving Credit Facility was increased to $1,000 million, (iv) the maturity date of the Revolving Credit Facility was extended from October 13, 2022 to October 7, 2024 (subject to earlier maturity in specified circumstances), and (v) the commitment fee on the unused portion of the Revolving Credit Facility was decreased from 0.25% to 0.15%. At December 31, 2019, the weighted average interest rate on the Term Loan A was 3.05%. The principal amount of the Term Loan A amortizes in quarterly installments equal to $5 million until October 7, 2022 and thereafter in quarterly installments equal to $9 million until maturity, with the balance payable at maturity. The Term Loan A will require compliance with a net first lien leverage ratio (described below). Except as described herein, the Fourth Incremental Amendment did not materially change the terms of the Credit Facilities. In connection with the Fourth Incremental Amendment, we capitalized approximately $7 million in debt issuance costs.

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

On November 19, 2019, the Borrowers entered into a fourth amendment (the "Fourth Amendment") to the credit agreement governing our Credit Facilities. Under the Fourth Amendment, (i) the outstanding aggregate principal amount under our Term Loan B was decreased to $5,350 million as a result of a repayment of $720 million from a portion of the net proceeds of the 2019 4.375% Senior Notes (defined below), (ii) the interest rate applicable to our Term Loan B was reduced to, at our option, either (a) a base rate, subject to a floor of 1.00%, plus an applicable margin of 0.75%, or (b) a Eurocurrency rate, subject to a floor of 0.00%, plus an applicable margin of 1.75%, and (iii) the maturity date of our Term Loan B was extended from February 17, 2024 to November 19, 2026. At December 31, 2019, the weighted average interest rate on the Term Loan B was 3.55%. The principal amount of the Term Loan B amortizes in quarterly installments equal to $13 million until maturity, with the balance payable at maturity. Except as described herein, the Fourth Amendment did not materially change the terms of the Credit Facilities.

In connection with the Fourth Amendment, we capitalized approximately $24 million in debt issuance costs and original issue discount and recorded a loss on early extinguishment of debt of $16 million that primarily reflects the write-off of related unamortized debt issuance costs and discounts and fees incurred.

Revolving Credit Facility

As of December 31, 2019, we had no amounts outstanding under our Revolving Credit Facility. Funds available under the Revolving Credit Facility may be used to repay other debt, finance debt or share repurchases, to fund acquisitions or capital expenditures and for other general corporate purposes. We have a $125 million letter of credit sublimit as part of the Revolving Credit Facility, which reduces our borrowing availability thereunder by the cumulative amount of outstanding letters of credit. Under the Fourth Incremental Amendment, the interest rate applicable to amounts drawn under each letter of credit decreased from a range of 1.25% to 2.00% to a range of 0.75% to 1.50%, depending on our net first lien leverage ratio. As of December 31, 2019, we had $2 million of letters of credit issued against the Revolving Credit Facility, and our borrowing availability was $998 million.

Obligations under the Credit Facilities are guaranteed on a senior secured basis, jointly and severally, by the direct parent company of one of the Borrowers and substantially all of its Canadian and U.S. subsidiaries, including The TDL Group Corp., Burger King Worldwide, Inc., Popeyes Louisiana Kitchen, Inc. and substantially all of their respective Canadian and U.S. subsidiaries (the “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.

2017 4.25% Senior Notes

During 2017, the Borrowers entered into an indenture (the “2017 4.25% Senior Notes Indenture”) in connection with the issuance of $1,500 million of 4.25% first lien senior notes due May 15, 2024 (the “2017 4.25% Senior Notes”). No principal payments are due until maturity and interest is paid semi-annually. The net proceeds from the offering of the 2017 4.25% Senior Notes, together with other sources of liquidity, were used to redeem all of the outstanding Class A 9.0% cumulative compounding perpetual voting preferred shares (see Note 13, *Redeemable Preferred Shares*) and for other general corporate purposes. In connection with the issuance of the 2017 4.25% Senior Notes, we capitalized approximately $13 million in debt issuance costs.

Obligations under the 2017 4.25% Senior Notes are guaranteed on a senior secured basis, jointly and severally, by the Borrowers and substantially all of the Borrowers' Canadian and U.S. subsidiaries, including The TDL Group Corp., Burger King Worldwide, Inc., Popeyes Louisiana Kitchen, Inc. and substantially all of their respective Canadian and U.S. subsidiaries (the “Note Guarantors”). The 2017 4.25% Senior Notes are first lien senior secured obligations and rank equal in right of payment with all of the existing and future senior debt of the Borrowers and Note Guarantors, including borrowings and guarantees of the Credit Facilities.

Our 2017 4.25% Senior Notes may be redeemed in whole or in part, on or after May 15, 2020 at the redemption prices set forth in the 2017 4.25% Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 2017 4.25% Senior Notes Indenture also contains redemption provisions related to tender offers, change of control and equity offerings, among others.

2019 3.875% Senior Notes

On September 24, 2019, the Borrowers entered into an indenture (the "2019 3.875% Senior Notes Indenture") in connection with the issuance of $750 million of 3.875% first lien senior notes due January 15, 2028 (the "2019 3.875% Senior Notes"). No principal payments are due until maturity and interest is paid semi-annually. The net proceeds from the offering of the 2019 3.875% Senior Notes and a portion of the net proceeds from the Term Loan A were used to redeem the entire outstanding principal balance of $1,250 million of 4.625% first lien secured notes due January 15, 2022 (the "2015 4.625% Senior Notes") and to pay related fees and expenses. In connection with the issuance of the 2019 3.875% Senior Notes, we capitalized approximately $10 million in debt issuance costs. In connection with the redemption of the entire outstanding principal balance of the 2015 4.625% Senior Notes, we recorded a loss on early extinguishment of debt of $3 million that primarily reflects the write-off of related unamortized debt issuance costs.

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

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

2017 5.00% Senior Notes

During 2017, the Borrowers entered into an indenture (the "2017 5.00% Senior Notes Indenture") in connection with the issuance of $2,800 million of 5.00% second lien senior notes due October 15, 2025 (the "2017 5.00% Senior Notes"). No principal payments are due until maturity and interest is paid semi-annually. The net proceeds from the offering of the 2017 5.00% Senior Notes were used to redeem the entire outstanding principal balance of $2,250 million of 6.00% second lien secured notes due April 1, 2022 (the "2014 6.00% Senior Notes"), pay related redemption premiums, fees and expenses, and for general corporate purposes. In connection with the issuance of the 2017 5.00% Senior Notes, we capitalized approximately $15 million in debt issuance costs. In connection with the full redemption of the 2014 6.00% Senior Notes, we recorded a loss on early extinguishment of debt of $102 million that primarily reflects the payment of premiums to redeem the notes and the write-off of unamortized debt issuance costs.

Obligations under the 2017 5.00% Senior Notes are guaranteed on a second priority senior secured basis, jointly and severally, by the Note Guarantors. The 2017 5.00% Senior Notes are second lien senior secured obligations and rank equal in right of payment with all of the existing and future senior debt of the Borrowers and Note Guarantors, including borrowings and guarantees of the Credit Facilities.

Our 2017 5.00% Senior Notes may be redeemed in whole or in part, on or after October 15, 2020 at the redemption prices set forth in the 2017 5.00% Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 2017 5.00% Senior Notes Indenture also contains redemption provisions related to tender offers, change of control and equity offerings, among others.

2019 4.375% Senior Notes

On November 19, 2019, the Borrowers entered into an indenture (the "2019 4.375% Senior Notes Indenture") in connection with the issuance of $750 million of 4.375% second lien senior notes due January 15, 2028 (the "2019 4.375% Senior Notes"). No principal payments are due until maturity and interest is paid semi-annually. The net proceeds from the offering of the 2019 4.375% Senior Notes, together with cash on hand, were used to repay $720 million of the Term Loan B outstanding aggregate principal balance and to pay related fees and expenses in connection with the Fourth Amendment. In connection with the issuance of the 2019 4.375% Senior Notes, we capitalized approximately $6 million in debt issuance costs.

Obligations under the 2019 4.375% Senior Notes are guaranteed on a second priority senior secured basis, jointly and severally, by the Note Guarantors. The 2019 4.375% Senior Notes are second lien senior secured obligations and rank equal in right of payment with all of the existing and future senior debt of the Borrowers and Note Guarantors, including borrowings and guarantees of the Credit Facilities.

Our 2019 4.375% Senior Notes may be redeemed in whole or in part, on or after November 15, 2022 at the redemption prices set forth in the 2019 4.375% Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 2019 4.375% Senior Notes Indenture also contains redemption provisions related to tender offers, change of control and equity offerings, among others.

Restrictions and Covenants

Our Credit Facilities, 2017 4.25% Senior Notes Indenture, 2019 3.875% Senior Notes Indenture, 2017 5.00% Senior Notes Indenture and 2019 4.375% Senior Notes Indenture contain a number of customary affirmative and negative covenants that, among other things, limit or restrict our ability and the ability of certain of our subsidiaries to: incur additional indebtedness; incur liens; engage in mergers, consolidations, liquidations and dissolutions; sell assets; pay dividends and make other payments in respect of capital stock; make investments, loans and advances; pay or modify the terms of certain indebtedness; and engage in certain transactions with affiliates. In addition, under the Credit Facilities, the Borrowers are not permitted to exceed a first lien senior secured leverage ratio of 6.50 to 1.00 when, as of the end of any fiscal quarter beginning with the first fiscal quarter of 2020, (1) any amounts are outstanding under the Term Loan A and/or (2) the sum of (i) the amount of letters of credit outstanding exceeding $50 million (other than those that are cash collateralized); (ii) outstanding amounts under the Revolving Credit Facility and (iii) outstanding amounts of swing line loans, exceeds 30.0% of the commitments under the Revolving Credit Facility.

The restrictions under the Credit Facilities, the 2017 4.25% Senior Notes Indenture, the 2019 3.875% Senior Notes Indenture, the 2017 5.00% Senior Notes Indenture, and the 2019 4.375% Senior Notes Indenture have resulted in substantially all of our consolidated assets being restricted.

As of December 31, 2019, we were in compliance with applicable debt covenants under the Credit Facilities, 2017 4.25% Senior Notes Indenture, 2019 3.875% Senior Notes Indenture, 2017 5.00% Senior Notes Indenture and 2019 4.375% Senior Notes Indenture and there were no limitations on our ability to draw on the remaining availability under our Revolving Credit Facility.

TH Facility

One of our subsidiaries entered into a non-revolving delayed drawdown term credit facility in a total aggregate principal amount of C$225 million (increased from C$100 million during 2019) with a maturity date of October 4, 2025 (the "TH Facility"). The interest rate applicable to the TH Facility is the Canadian Bankers' Acceptance rate plus an applicable margin equal to 1.40% or the Prime Rate plus an applicable margin equal to 0.40%, at our option. Obligations under the TH Facility are guaranteed by three of our subsidiaries, and amounts borrowed under the TH Facility are secured by certain parcels of real estate. As of December 31, 2019, we had outstanding C$100 million under the TH Facility with a weighted average interest rate of 3.45% and we are permitted to draw down on the TH Facility until May 23, 2020.

Other

On March 27, 2017, we repaid $156 million of debt assumed in connection with the Popeyes Acquisition. Additionally, $36 million of Tim Hortons Series 1 notes were repaid on June 1, 2017, the original maturity date.

Debt Issuance Costs

During 2019 and 2017, we incurred aggregate deferred financing costs of $50 million and $63 million, respectively. No significant deferred financing costs were incurred in 2018.

Loss on Early Extinguishment of Debt

During 2019, we recorded a $23 million loss on early extinguishment of debt, which primarily reflects the write-off of unamortized debt issuance costs and discounts in connection with the prepayment and refinancing of the Term Loan B and the redemption of our 2015 4.625% Senior Notes. During 2017, we recorded a $122 million loss on early extinguishment of debt, which primarily reflects the payment of premiums to redeem our 2014 6.00% Senior Notes and the write-off of unamortized debt issuance costs and discounts in connection with the refinancing of our Term Loan Facility and the redemption of our 2014 6.00% Senior Notes.

Maturities

The aggregate maturities of our long-term debt as of December 31, 2019 are as follows (in millions):

Year Ended December 31,	Principal Amount
2020	$ 74
2021	75
2022	81
2023	98
2024	2,212
Thereafter	9,441
Total	$ 11,981

Interest Expense, net

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

	2019	2018	2017
Debt (a)	$ 503	$ 498	$ 484
Finance lease obligations	20	23	21
Amortization of deferred financing costs and debt issuance discount	29	29	33
Interest income	(20)	(15)	(26)
Interest expense, net	$ 532	$ 535	$ 512

(a) Amount includes $70 million and $60 million benefit during 2019 and 2018, respectively, related to the amortization of the Excluded Component as defined in Note 12, *Derivatives*.

Note 10. Leases

As of December 31, 2019, we leased or subleased 5,272 restaurant properties to franchisees and 182 non-restaurant properties to third parties under operating leases and direct financing leases where we are the lessor. Initial lease terms generally range from 10 to 20 years. Most leases to franchisees provide for fixed monthly payments and many provide for future rent escalations and renewal options. Certain leases also include provisions for variable rent, determined as a percentage of sales, generally when annual sales exceed specific levels. Lessees typically bear the cost of maintenance, insurance and property taxes.

We lease land, buildings, equipment, office space and warehouse space from third parties. Land and building leases generally have an initial term of 10 to 20 years, while land-only leases generally have an initial term of 20 years, and most leases provide for fixed monthly payments. Many of these leases provide for future rent escalations and renewal options. Certain leases also include provisions for variable rent payments, determined as a percentage of sales, generally when annual sales exceed specified levels. Most leases also obligate us to pay, as lessee, variable lease cost related to maintenance, insurance and property taxes.

We transitioned to ASC 842 on January 1, 2019 on a modified retrospective basis using the effective date transition method. The new guidance requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by finance and operating leases with lease terms of more than 12 months and amends various other aspects of accounting for leases by lessees and lessors. In connection with our transition to ASC 842, we elected the package of practical expedients under which we did not reassess the classification of our existing leases, reevaluate whether any expired or existing contracts are or contain leases or reassess initial direct costs under the new guidance. We also elected lessee and lessor practical expedients to not separate non-lease components comprised of maintenance from lease components for real estate leases that commenced prior to our transition to ASC 842, as well as for real estate leases that commence or that are modified subsequent to our transition to ASC 842. We did not elect the practical expedient that permitted a reassessment of lease terms for existing leases.

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Financial Statement Impact of Transition to ASC 842

Transition Impact on January 1, 2019 Condensed Consolidated Balance Sheet

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

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

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

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

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

(c) *Represents the net carrying amount of favorable lease assets associated with leases in which we are the lessee, which have been reclassified to operating lease ROU assets.*

(d) *Represents the current portion of operating lease liabilities.*

(e) *Represents the net change in liabilities recorded in connection with build-to-suit leases.*

(f) *Represents the recognition of operating lease liabilities, net of current portion.*

(g) *Represents the net carrying amount of unfavorable lease liabilities associated with leases in which we are the lessee and $64 million of straight-line rent accruals which have been reclassified to operating lease ROU assets.*

(h) *Represents the net tax effects of the adjustments noted above, with a corresponding adjustment to shareholders' equity.*

(i) *Represents net change in assets and liabilities recorded in connection with build-to-suit leases and the tax effects of adjustments noted above.*

Company as Lessor

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

	As of December 31, 2019	As of December 31, 2018
Land	$ 905	$ 906
Buildings and improvements	1,142	1,175
Restaurant equipment	18	17
	2,065	2,098
Accumulated depreciation and amortization	(472)	(475)
Property and equipment leased, net	$ 1,593	$ 1,623

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

	As of December 31, 2019	As of December 31, 2018
	ASC 842	*Previous Standard*
Future rents to be received:		
Future minimum lease receipts	$ 49	$ 60
Contingent rents (a)	19	29
Estimated unguaranteed residual value	15	16
Unearned income	(26)	(35)
	57	70
Current portion included within accounts receivables	(9)	(16)
Net investment in property leased to franchisees	$ 48	$ 54

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

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

	2019	2018	2017
	ASC 842	*Previous Standard*	
Rental income:			
Minimum lease payments	$ 448	$ 454	$ 464
Variable lease payments	370	273	284
Amortization of favorable and unfavorable income lease contracts, net	7	8	8
Subtotal - lease income from operating leases	825	735	756
Earned income on direct financing leases	8	9	9
Total property revenues	$ 833	$ 744	$ 765

Company as Lessee

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

Lease Cost (Income)

	2019
	ASC 842
Operating lease cost	$ 210
Operating lease variable lease cost	198
Finance lease cost:	
Amortization of right-of-use assets	27
Interest on lease liabilities	20
Sublease income	(631)
Total lease cost (income)	$ (176)

Rent Expense

	2018	2017
	Previous Standard	
Rental expense:		
Minimum	$ 201	$ 198
Contingent	71	71
Amortization of favorable and unfavorable payable lease contracts, net	9	10
Total rental expense (a)	$ 281	$ 279

(a) Amounts include rental expense related to properties subleased to franchisees of $263 million for 2018 and 2017.

Lease Term and Discount Rate as of December 31, 2019

Weighted-average remaining lease term (in years):	
Operating leases	10.9 years
Finance leases	11.2 years
Weighted-average discount rate:	
Operating leases	6.2%
Finance leases	7.1%

Other Information for 2019

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 194
Operating cash flows from finance leases	$ 20
Financing cash flows from finance leases	$ 26
Supplemental noncash information on lease liabilities arising from obtaining right-of-use assets:	
Right-of-use assets obtained in exchange for new finance lease obligations	$ 18
Right-of-use assets obtained in exchange for new operating lease obligations	$ 163

As of December 31, 2019, future minimum lease receipts and commitments are as follows (in millions):

	Lease Receipts		Lease Commitments (a)	
	Direct Financing Leases	Operating Leases	Finance Leases	Operating Leases
2020	$ 9	$ 429	$ 46	$ 204
2021	7	406	45	192
2022	5	383	43	179
2023	5	359	40	164
2024	4	327	39	149
Thereafter	19	1,672	249	872
Total minimum receipts / payments	$ 49	$ 3,576	462	1,760
Less amount representing interest			(147)	(545)
Present value of minimum lease payments			315	1,215
Current portion of lease obligations			(27)	(126)
Long-term portion of lease obligations			$ 288	$ 1,089

(a) Minimum lease payments have not been reduced by minimum sublease rentals of $2,397 million due in the future under non-cancelable subleases.

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

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

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

Note 11. Income Taxes

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

The impacts to our consolidated statement of operations consist of the following (the “Tax Act Impact”):

- A provisional benefit of $420 million recorded in our provision from income taxes for 2017 and a final favorable adjustment of $9 million recorded for 2018, as a result of the remeasurement of net deferred tax liabilities.

- Provisional charges of $103 million recorded in 2017 and a final favorable adjustment of $3 million recorded in 2018, related to certain deductions allowed to be carried forward before the Tax Act, which potentially may not be carried forward and deductible under the Tax Act.

- A provisional estimate for a one-time transitional repatriation tax on unremitted foreign earnings (the “Transition Tax”) of $119 million recorded in 2017, most of which had been previously accrued with respect to certain undistributed foreign earnings, and a final favorable adjustment of $15 million (primarily related to utilization of foreign tax credits) recorded in 2018.

In accordance with Staff Accounting Bulletin No. 118 issued by the staff of the SEC and as discussed in the bullet points above, we completed our analysis in 2018 and made adjustments to provisional amounts during 2018 as discrete items in the quarter such estimates were finalized.

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

The ultimate impact of the Tax Act on our effective tax rate in future periods will depend on interpretations and regulatory changes from the Internal Revenue Service, the SEC, the FASB and various tax jurisdictions, or actions we may take.

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

	2019	2018	2017
Canadian	$ 685	$ 1,111	$ 1,223
Foreign	767	271	(122)
Income before income taxes	$ 1,452	$ 1,382	$ 1,101

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

	2019	2018	2017
Current:			
Canadian	$ 47	$ 25	$ 438
U.S. Federal	122	95	113
U.S. state, net of federal income tax benefit	20	17	3
Other Foreign	94	72	54
	$ 283	$ 209	$ 608
Deferred:			
Canadian	$ 43	$ 78	$ (302)
U.S. Federal	8	(65)	(473)
U.S. state, net of federal income tax benefit	—	13	34
Other Foreign	7	3	(1)
	$ 58	$ 29	$ (742)
Income tax expense (benefit)	$ 341	$ 238	$ (134)

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

	2019	2018	2017
Statutory rate	26.5 %	26.5 %	26.5 %
Costs and taxes related to foreign operations	5.8	4.2	8.9
Foreign exchange gain (loss)	0.1	(0.1)	(7.7)
Foreign tax rate differential	(10.8)	(6.1)	(1.9)
Change in valuation allowance	0.5	3.2	12.0
Change in accrual for tax uncertainties	5.0	0.1	(0.4)
Intercompany financing	(2.4)	(4.4)	(19.5)
Impact of Tax Act	(0.1)	(1.9)	(27.4)
Benefit from stock option exercises	(2.2)	(5.0)	(4.9)
Other	1.1	0.7	2.3
Effective income tax rate	23.5 %	17.2 %	(12.1)%

In a referendum held on May 19, 2019, Swiss voters adopted the Federal Act on Tax Reform and AVS Financing (“TRAF”), under which certain long-standing preferential cantonal tax regimes were abolished effective January 1, 2020. Further in November 2019, the canton of Zug formally adopted the measures of TRAF requiring the Company to consider the effects of TRAF. The Company has subsidiaries in the canton of Zug subject to TRAF and therefore the TRAF impacted our consolidated results of operations during 2019 through the remeasurement of net deferred tax liabilities as of December 31, 2019. The amount recorded for the effects of the changes from the TRAF is approximately $16 million, which increased our 2019 effective tax rate by approximately 1.1% (a one-time, non-cash item).

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

	2019	2018	2017
Income tax (benefit) expense from continuing operations	$ 341	$ 238	$ (134)
Cash flow hedge in accumulated other comprehensive income (loss)	(23)	(2)	5
Net investment hedge in accumulated other comprehensive income (loss)	(32)	101	(13)
Pension liability in accumulated other comprehensive income (loss)	(1)	—	(2)
Total	$ 285	$ 337	$ (144)

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

	2019	2018	2017
Deferred income tax (benefit) expense	$ 30	$ (14)	$ (449)
Change in valuation allowance	7	43	133
Change in effective Canadian income tax rate	(1)	(3)	—
Change in effective U.S. federal income tax rate	—	(8)	(433)
Change in effective U.S. state income tax rate	6	15	4
Change in effective foreign income tax rate	16	(4)	3
Total	$ 58	$ 29	$ (742)

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

	As of December 31,	
	2019	2018
Deferred tax assets:		
Accounts and notes receivable	$ 4	$ 5
Accrued employee benefits	48	49
Unfavorable leases	99	123
Operating lease liabilities	332	—
Liabilities not currently deductible for tax	198	176
Tax loss and credit carryforwards	493	509
Derivatives	83	25
Other	3	8
Total gross deferred tax assets	1,260	895
Valuation allowance	(329)	(325)
Net deferred tax assets	931	570
Less deferred tax liabilities:		
Property and equipment, principally due to differences in depreciation	40	43
Intangible assets	1,792	1,734
Leases	88	105
Operating lease assets	325	—
Statutory impairment	28	31
Outside basis difference	42	35
Total gross deferred tax liabilities	2,315	1,948
Net deferred tax liability	$ 1,384	$ 1,378

The valuation allowance had a net increase of $4 million during 2019 primarily due to the change in provisional estimates related to the utilization of foreign tax credits. This increase was partially offset by the utilization of capital losses that had been previously valued.

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

	2019	2018	2017
Beginning balance	$ 325	$ 282	$ 133
Additions due to acquisition	—	—	9
Change in estimates recorded to deferred income tax expense	8	43	133
Changes from foreign currency exchange rates	—	—	6
Changes in losses and credits	(2)	—	1
Additions related to other comprehensive income	(2)	—	—
Ending balance	$ 329	$ 325	$ 282

The gross amount and expiration dates of operating loss and tax credit carry-forwards as of December 31, 2019 are as follows (in millions):

	Amount	Expiration Date
Canadian net operating loss carryforwards	$ 697	2036-2039
Canadian capital loss carryforwards	975	Indefinite
U.S. state net operating loss carryforwards	562	2020-2036
U.S. foreign tax credits	97	2020-2029
Other foreign net operating loss carryforwards	185	Indefinite
Other foreign net operating loss carryforwards	80	2020-2039
Other foreign capital loss carryforward	31	Indefinite
Foreign credits	1	2020-2036
Total	$ 2,628	

Under our transition to a modified territorial tax system whereby all previously untaxed undistributed foreign earnings were subject to a transition tax charge at reduced rates and future repatriations of foreign earnings generally will be exempt from U.S. tax, we wrote off the existing deferred tax liability on undistributed foreign earnings and recorded the impact of the new transition tax charge on foreign earnings. 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 are generally permanently reinvested (but for unremitted earnings and profits) in any other potential outside basis differences. A determination of the deferred tax liability on this amount is not practicable due to the complexities, variables and assumptions inherent in the hypothetical calculations. Thus we have not provided taxes, including U.S. federal and state income, foreign income, or foreign withholding taxes, for any outside basis differences that we believe are permanently invested.

We had $506 million of unrecognized tax benefits at December 31, 2019, which if recognized, would favorably affect the effective income tax rate. A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows (in millions):

	2019	2018	2017
Beginning balance	$ 441	$ 461	$ 241
Additions for tax positions related to the current year	9	1	186
Additions for tax positions of prior years	56	18	41
Additions for tax positions taken in conjunction with acquisition of Tim Hortons	—	—	2
Reductions for tax positions of prior year	—	(18)	—
Reductions for settlement	—	(18)	(2)
Reductions due to statute expiration	—	(3)	(7)
Ending balance	$ 506	$ 441	$ 461

During the twelve months beginning January 1, 2020, it is reasonably possible we will reduce unrecognized tax benefits by approximately $6 million, primarily as a result of the expiration of certain statutes of limitations and the resolution of audits.

We recognize interest and penalties related to unrecognized tax benefits in income tax expense. The total amount of accrued interest and penalties was $92 million and $51 million at December 31, 2019 and 2018, respectively. Potential interest and penalties associated with uncertain tax positions in various jurisdictions recognized was $41 million during 2019, $14 million during 2018 and $10 million during 2017. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision.

We file income tax returns with Canada and its provinces and territories. Generally we are subject to routine examinations by the Canada Revenue Agency ("CRA"). The CRA is conducting examinations of the 2013 through 2015 taxation years. Additionally, income tax returns filed with various provincial jurisdictions are generally open to examination for periods up to six years subsequent to the filing of the respective return.

We also file income tax returns, including returns for our subsidiaries, with U.S. federal, U.S. state, and foreign jurisdictions. Generally we are subject to routine examination by taxing authorities in the U.S. jurisdictions, as well as foreign tax jurisdictions. None of the foreign jurisdictions should be individually material. The examination of our U.S. federal income tax returns for fiscal 2009, 2010, the period July 1, 2010 through October 18, 2010 and the period October 19, 2010 through December 31, 2010 was closed during the first half of 2018. The U.S. federal income tax returns for our U.S. companies for fiscal years 2014, 2015 and 2016 are currently under audit by the U.S. Internal Revenue Service. We have various U.S. state and foreign income tax returns in the process of examination. From time to time, these audits result in proposed assessments where the ultimate resolution may result in owing additional taxes. We believe that our tax positions comply with applicable tax law and that we have adequately provided for these matters.

Note 12. Derivative Instruments

Disclosures about Derivative Instruments and Hedging Activities

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

Interest Rate Swaps

At December 31, 2019, we had outstanding receive-variable, pay-fixed interest rate swaps with a total notional value of $3,500 million to hedge the variability in the interest payments on a portion of our Term Loan Facilities beginning October 31, 2019 through the termination date of November 19, 2026. Additionally, at December 31, 2019, we also had outstanding receive-variable, pay-fixed interest rate swaps with a total notional value of $500 million to hedge the variability in the interest payments on a portion of our Term Loan Facilities effective September 30, 2019 through the termination date of September 30, 2026. At inception, all of these interest rate swaps were designated as cash flow hedges for hedge accounting. The unrealized changes in market value are recorded in AOCI and reclassified into earnings during the period in which the hedged forecasted transaction affects earnings.

During 2019, we extended the term of our previous $3,500 million receive-variable, pay-fixed interest rate swaps to align the maturity date of the new interest rate swaps with the maturity date of our Term Loan B under the Fourth Amendment. The extension of the term resulted in a de-designation and re-designation of the interest rate swaps and the swaps continue to be accounted for as a cash flow hedge for hedge accounting. In connection with the de-designation, we recognized a net unrealized loss of $213 million in AOCI and this amount gets reclassified into Interest expense, net as the original hedged forecasted transaction affects earnings. The amount of pre-tax losses in AOCI as of December 31, 2019 that we expect to be reclassified into interest expense within the next 12 months is $51 million.

During 2015, we entered into a series of receive-variable, pay-fixed interest rate swaps with a notional value of $2,500 million to hedge the variability in the interest payments on a portion of our Term Loan Facilities beginning May 28, 2015. All of these interest rate swaps were settled on April 26, 2018 for an insignificant cash receipt. At inception, these interest rate swaps were designated as cash flow hedges for hedge accounting. The unrealized changes in market value were recorded in AOCI and reclassified into earnings during the period in which the hedged forecasted transaction affects earnings.

During 2015, we settled certain interest rate swaps and recognized a net unrealized loss of $85 million in AOCI at the date of settlement. This amount gets reclassified into Interest expense, net as the original hedged forecasted transaction affects earnings. The amount of pre-tax losses in AOCI as of December 31, 2019 that we expect to be reclassified into interest expense within the next 12 months is $12 million.

Cross-Currency Rate Swaps

To protect the value of our investments in our foreign operations against adverse changes in foreign currency exchange rates, we hedge a portion of our net investment in one or more of our foreign subsidiaries by using cross-currency rate swaps. At December 31, 2019, we had outstanding cross-currency rate swap contracts between the Canadian dollar and U.S. dollar and the Euro and U.S. dollar that have been designated as net investment hedges of a portion of our equity in foreign operations in those currencies. The component of the gains and losses on our net investment in these designated foreign operations driven by changes in foreign exchange rates are economically partly offset by movements in the fair value of our cross-currency swap contracts. The fair value of the swaps is calculated each period with changes in fair value reported in AOCI, net of tax. Such amounts will remain in AOCI until the complete or substantially complete liquidation of our investment in the underlying foreign operations.

During 2017, we terminated and settled our previous cross-currency rate swaps with an aggregate notional value of $5,000 million, between the Canadian dollar and U.S. dollar. In connection with this termination, we received $764 million which is reflected as a source of cash provided by investing activities in the consolidated statement of cash flows. The unrealized gains totaled $533 million, net of tax, as of the termination date and will remain in AOCI until the complete or substantially complete liquidation of our investment in the underlying foreign operations. Additionally during 2017, we entered into new fixed-to-fixed cross-currency rate swaps to partially hedge the net investment in our Canadian subsidiaries. At inception, these cross-currency rate swaps were designated as a hedge and are accounted for as net investment hedges. These swaps are contracts to exchange quarterly fixed-rate interest payments we make on the Canadian dollar notional amount of C$6,754 million for quarterly fixed-rate interest payments we receive on the U.S. dollar notional amount of $5,000 million through the maturity date of June 30, 2023. In making such changes, we effectively realigned our Canadian dollar hedges to reflect our current cash flow mix and capital structure maturity profile.

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

The fixed to fixed cross-currency rate swaps hedging Canadian dollar and Euro net investments utilized the forward method of effectiveness assessment prior to March 15, 2018. On March 15, 2018, we de-designated and subsequently re-designated the outstanding fixed to fixed cross-currency rate swaps to prospectively use the spot method of hedge effectiveness assessment. Additionally, as a result of adopting new hedge accounting guidance during 2018, we elected to exclude the interest component (the "Excluded Component") from the accounting hedge without affecting net investment hedge accounting and elected to amortize the Excluded Component over the life of the derivative instrument. The amortization of the Excluded Component is recognized in Interest expense, net in the consolidated statement of operations. The change in fair value that is not related to the Excluded Component is recorded in AOCI and will be reclassified to earnings when the foreign subsidiaries are sold or substantially liquidated.

Foreign Currency Exchange Contracts

We use foreign exchange derivative instruments to manage the impact of foreign exchange fluctuations on U.S. dollar purchases and payments, such as coffee purchases made by our Canadian Tim Hortons operations. At December 31, 2019, we had outstanding forward currency contracts to manage this risk in which we sell Canadian dollars and buy U.S. dollars with a notional value of $112 million with maturities to December 2020. We have designated these instruments as cash flow hedges, and as such, the unrealized changes in market value of effective hedges are recorded in AOCI and are reclassified into earnings during the period in which the hedged forecasted transaction affects earnings.

Credit Risk

By entering into derivative contracts, we are exposed to counterparty credit risk. Counterparty credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is in an asset position, the counterparty has a liability to us, which creates credit risk for us. We attempt to minimize this risk by selecting counterparties with investment grade credit ratings and regularly monitoring our market position with each counterparty.

Credit-Risk Related Contingent Features

Our derivative instruments do not contain any credit-risk related contingent features.

Quantitative Disclosures about Derivative Instruments and Fair Value Measurements

The following tables present the required quantitative disclosures for our derivative instruments, including their estimated fair values (all estimated using Level 2 inputs) and their location on our consolidated balance sheets (in millions):

	Gain or (Loss) Recognized in Other Comprehensive Income (Loss)		
	2019	**2018**	**2017**
Derivatives designated as cash flow hedges(1)			
Interest rate swaps	$ (102)	$ (37)	$ (6)
Forward-currency contracts	$ (4)	$ 11	$ (9)
Derivatives designated as net investment hedges			
Cross-currency rate swaps	$ (118)	$ 383	$ (384)

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

	Location of Gain or (Loss) Reclassified from AOCI into Earnings	Gain or (Loss) Reclassified from AOCI into Earnings		
		2019	**2018**	**2017**
Derivatives designated as cash flow hedges				
Interest rate swaps	Interest expense, net	$ (26)	$ (19)	$ (31)
Forward-currency contracts	Cost of sales	$ 5	$ (1)	$ (3)

	Location of Gain or (Loss) Recognized in Earnings	Gain or (Loss) Recognized in Earnings (Amount Excluded from Effectiveness Testing)		
		2019	**2018**	**2017**
Derivatives designated as net investment hedges				
Cross-currency rate swaps	Interest expense, net	$ 70	$ 60	$ —

	Fair Value as of December 31,		
	2019	**2018**	**Balance Sheet Location**
Assets:			
Derivatives designated as cash flow hedges			
Interest rate	$ 7	$ —	Other assets, net
Foreign currency	—	7	Prepaids and other current assets
Derivatives designated as net investment hedges			
Foreign currency	22	58	Other assets, net
Total assets at fair value	$ 29	$ 65	
Liabilities:			
Derivatives designated as cash flow hedges			
Interest rate	$ 175	$ 72	Other liabilities, net
Foreign currency	2	—	Other accrued liabilities
Derivatives designated as net investment hedges			
Foreign currency	166	107	Other liabilities, net

Total liabilities at fair value	$ 343	$ 179

Note 13. Redeemable Preferred Shares

On December 12, 2014 we issued 68,530,939 Class A 9.0% cumulative compounding perpetual voting preferred shares (the “Preferred Shares”) to a subsidiary of Berkshire Hathaway, which were outstanding until the Redemption Date (as defined below). A 9.0% annual dividend accrued on the purchase price of $43.775848 per Preferred Share, and was payable quarterly in arrears, when declared and approved by our board of directors.

The Preferred Shares were redeemable at our option on and after December 12, 2017. During 2014, we adjusted the carrying value of the Preferred Shares to their redemption price of $48.109657 per Preferred Share (the “redemption price”). The Preferred Shares were classified as temporary equity while outstanding because redemption was not solely within our control, as the Preferred Shares also contained provisions that allowed the holder to redeem the Preferred Shares for cash beginning in December 2024 or upon a change in control.

On December 12, 2017 (the “Redemption Date”), we redeemed all of the issued and outstanding Preferred Shares for aggregate consideration of $3,116 million (the “Redemption Consideration”), consisting of (i) $3,297 million, which is the redemption price of $48.109657 per Preferred Share multiplied by the number of Preferred Shares outstanding, plus (ii) $54 million of accrued and unpaid preferred dividends up to the Redemption Date, minus (iii) an adjustment of $235 million, so that the after-tax internal rate of return of the holder of the Preferred Shares from the original issue date through the Redemption Date is equal to the after-tax internal rate of return that the holder of the Preferred Shares would have received if we were a U.S. corporation. The $235 million adjustment, net of $1 million of related transaction costs, is reflected as a $234 million increase to net income attributable to common shareholders and common shareholders' equity.

The Redemption Consideration was funded by proceeds from (i) incremental borrowings on our Term Loan Facilities and the issuance of the 2017 4.25% Senior Notes - see Note 9, *Long-Term Debt,* (ii) proceeds from the termination and settlement of our previous cross-currency rate swaps with an aggregate notional value of $5,000 million between the Canadian dollar and U.S. dollar - see Note 12, *Derivative Instruments,* and (iii) cash generated in the normal course of our business. Upon redemption, the Preferred Shares were deemed canceled, dividends ceased to accrue and all rights of the holder terminated.

During 2018, we made a payment in connection with the settlement of certain provisions associated with the 2017 redemption of our Preferred Shares as a result of recently proposed Treasury regulations included within Other operating expense (income), net in our consolidated statements of operations.

Note 14. Shareholders' Equity

Special Voting Share

The holders of the Partnership exchangeable units are indirectly entitled to vote in respect of matters on which holders of the common shares of the Company are entitled to vote, including in respect of the election of RBI directors, through a special voting share of the Company (the "Special Voting Share"). The Special Voting Share is held by a trustee, entitling the trustee to that number of votes on matters on which holders of common shares of the Company are entitled to vote equal to the number of Partnership exchangeable units outstanding. The trustee is required to cast such votes in accordance with voting instructions provided by holders of Partnership exchangeable units. At any shareholder meeting of the Company, holders of our common shares vote together as a single class with the Special Voting Share except as otherwise provided by law.

Noncontrolling Interests

We reflect a noncontrolling interest which represents the interests of the holders of Partnership exchangeable units in Partnership that are not held by RBI. The holders of Partnership exchangeable units held an economic interest of approximately 35.7% and 45.2% in Partnership common equity through the ownership of 165,507,199 and 207,523,591 Partnership exchangeable units as of December 31, 2019 and 2018, respectively.

Pursuant to the terms of the partnership agreement, each holder of a Partnership exchangeable unit is entitled to distributions from Partnership in an amount equal to any dividends or distributions that we declare and pay with respect to our common shares. Additionally, each holder of a Partnership exchangeable unit is entitled to vote in respect of matters on which holders of RBI common shares are entitled to vote through our special voting share. Since December 12, 2015, a holder of a Partnership exchangeable unit may require Partnership to exchange all or any portion of such holder's Partnership exchangeable units for our common shares at a ratio of one common share for each Partnership exchangeable unit, subject to our right as the general partner of Partnership, in our sole discretion, to deliver a cash payment in lieu of our common shares. If we elect to make a cash payment in lieu of issuing common shares, the amount of the payment will be the weighted average trading price of the common shares on the New York Stock Exchange for the 20 consecutive trading days ending on the last business day prior to the exchange date.

During 2019, Partnership exchanged 42,016,392 Partnership exchangeable units, pursuant to exchange notices received. In accordance with the terms of the partnership agreement, Partnership satisfied the exchange notices by exchanging 42,016,392 Partnership exchangeable units for the same number of newly issued RBI common shares. During 2018, Partnership exchanged 10,185,333 Partnership exchangeable units, pursuant to exchange notices received. In accordance with the terms of the partnership agreement, Partnership satisfied the exchange notices by repurchasing 10,000,000 Partnership exchangeable units for approximately $561 million in cash and exchanging 185,333 Partnership exchangeable units for the same number of newly issued RBI common shares. During 2017, Partnership exchanged 9,286,480 Partnership exchangeable units, pursuant to exchange notices received. In accordance with the terms of the partnership agreement, Partnership satisfied the exchange notices by repurchasing 5,000,000 Partnership exchangeable units for approximately $330 million in cash and exchanging 4,286,480 Partnership exchangeable units for the same number of newly issued RBI common shares. The exchanges represented increases in our ownership interest in Partnership and were accounted for as equity transactions, with no gain or loss recorded in the consolidated statements of operations. Pursuant to the terms of the partnership agreement, upon the exchange of Partnership exchangeable units, each such Partnership exchangeable unit was cancelled concurrently with the exchange.

Prior to and in connection with the redemption of the Preferred Shares, under the terms of the partnership agreement, Partnership made preferred unit distributions to RBI in amounts equal to (i) dividends RBI paid on the Preferred Shares and (ii) the Redemption Consideration of the Preferred Shares. Although the Partnership preferred units and related distributions eliminate in consolidation, they affect the amount of net income (loss) attributable to noncontrolling interests that we report. Net income (loss) attributable to noncontrolling interests represents the noncontrolling interests' portion of (i) Partnership net income (loss) for the corresponding period less (ii) preferred unit dividends accrued by Partnership.

Accumulated Other Comprehensive Income (Loss)

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

	Derivatives	Pensions	Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss)
Balances at December 31, 2016	$ 276	$ (16)	$ (958)	$ (698)
Foreign currency translation adjustment	—	—	824	824
Net change in fair value of derivatives, net of tax	(382)	—	—	(382)
Amounts reclassified to earnings of cash flow hedges, net of tax	25	—	—	25
Pension and post-retirement benefit plans, net of tax	—	4	—	4
Amounts attributable to noncontrolling interests	178	(3)	(424)	(249)
Balances at December 31, 2017	97	(15)	(558)	(476)
Foreign currency translation adjustment	—	—	(831)	(831)
Net change in fair value of derivatives, net of tax	263	—	—	263
Amounts reclassified to earnings of cash flow hedges, net of tax	14	—	—	14
Pension and post-retirement benefit plans, net of tax	—	1	—	1
Amounts attributable to noncontrolling interests	(121)	(1)	351	229
Balances at December 31, 2018	253	(15)	(1,038)	(800)
Foreign currency translation adjustment	—	—	409	409
Net change in fair value of derivatives, net of tax	(163)	—	—	(163)
Amounts reclassified to earnings of cash flow hedges, net of tax	15	—	—	15
Pension and post-retirement benefit plans, net of tax	—	(2)	—	(2)
Amounts attributable to noncontrolling interests	94	(2)	(314)	(222)
Balances at December 31, 2019	$ 199	$ (19)	$ (943)	$ (763)

Note 15. Share-based Compensation

On January 30, 2015, our board of directors approved: (i) adoption of the Restaurant Brands International Inc. 2014 Omnibus Incentive Plan, currently the Amended and Restated 2014 Omnibus Incentive Plan (the “Omnibus Plan”), to provide for the grant of awards to employees, directors, consultants and other persons who provide services to us and our affiliates; (ii) assumption and amendment of various legacy plans of BK, and assumption of the obligation for all BK stock options and restricted stock units (“RSUs”) outstanding; and (iii) assumption and amendment of various legacy plans of TH, and assumption of the obligation for each vested and unvested TH stock option issued with tandem stock appreciation rights (“SARs”) that was not surrendered in connection with the Tim Hortons transaction on the same terms and conditions of the original awards, as adjusted. No new awards may be granted under these legacy BK plans or legacy TH plans.

We are currently issuing awards under the Omnibus Plan and the number of shares available for issuance under such plan as of December 31, 2019 was 14,148,316. The Omnibus Plan permits the grant of several types of awards with respect to our common shares, including stock options, time-vested RSUs, and performance-based RSUs, which may include Company and/or individual performance based-vesting conditions. Under the terms of the Omnibus Plan, RSUs are entitled to dividend equivalents, unless otherwise noted. Dividends are not distributed unless the awards vest. Upon vesting, the amount of the dividend, which is distributed in additional RSUs, except in the case of RSUs awarded to non-management members of our board of directors, is equal to the equivalent of the aggregate dividends declared on common shares during the period from the date of grant of the award compounded until the date the shares underlying the award are delivered.

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

Share-based compensation expense consists of the following for the periods presented (in millions):

	2019	2018	2017
Stock options, stock options with tandem SARs and RSUs (a)	$ 68	$ 48	$ 48
Accelerated vesting of Popeyes stock options (b)	—	—	12
Total share-based compensation expense (c)	$ 68	$ 48	$ 60

(a) Includes $4 million, $2 million, and $5 million due to modification of awards in 2019, 2018 and 2017, respectively.
(b) Represents expense attributed to the post-combination service associated with the accelerated vesting of stock options in connection with the Popeyes Acquisition.
(c) Generally classified as selling, general and administrative expenses in the consolidated statements of operations.

As of December 31, 2019, total unrecognized compensation cost related to share-based compensation arrangements was $183 million and is expected to be recognized over a weighted-average period of approximately 3.4 years.

The following assumptions were used in the Black-Scholes option-pricing model to determine the fair value of stock option awards at the grant date:

	2019	2018	2017
Risk-free interest rate	1.82%	2.13%	1.23% - 1.25%
Expected term (in years)	6.19	6.39	6.74
Expected volatility	25.5%	25.2%	24.5%
Expected dividend yield	3.09%	3.08%	1.37%

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

The following is a summary of stock option activity under our plans for the year ended December 31, 2019:

	Total Number of Options (in 000's)	Weighted Average Exercise Price	Aggregate Intrinsic Value (a) (in 000's)	Weighted Average Remaining Contractual Term (Years)
Outstanding at January 1, 2019	13,603	$ 36.41		
Granted	1,160	$ 64.86		
Exercised	(4,496)	$ 22.62		
Forfeited	(509)	$ 55.18		
Outstanding at December 31, 2019	9,758	$ 45.29	$ 181,478	6.0
Exercisable at December 31, 2019	1,754	$ 26.43	$ 65,486	2.6
Vested or expected to vest at December 31, 2019	8,976	$ 44.70	$ 172,145	5.9

(a) The intrinsic value represents the amount by which the fair value of our stock exceeds the option exercise price at December 31, 2019.

The weighted-average grant date fair value per stock option granted was $11.83, $10.82, and $12.57 during 2019, 2018 and 2017, respectively. The total intrinsic value of stock options exercised was $200 million during 2019, $371 million during 2018, and $288 million during 2017.

The fair value of the time-vested RSUs and performance-based RSUs is based on the closing price of the Company's common shares on the trading day preceding the date of grant. New grants generally cliff vest five years from the original grant date. The Company has awarded a limited number of time-vested RSUs and performance-based RSUs that proportionally vest over a period shorter than five years. Time-vested RSUs and performance-based RSUs are expensed over the vesting period, based upon the probability that the performance target will be met. We grant fully vested RSUs, with dividend equivalent rights that accrue in cash, to non-employee members of our board of directors in lieu of a cash retainer and committee fees. All such RSUs will settle and common shares of the Company will be issued upon termination of service by the board member.

The time-vested RSUs generally cliff vest five years from December 31st of the year preceding the grant date and performance-based RSUs generally cliff vest five years from the grant date (the starting date for the applicable five year vesting period is referred to as the “Anniversary Date”). If the employee is terminated for any reason within the first two years of the Anniversary Date, 100% of the time-vested RSUs granted will be forfeited. If we terminate the employment of a time-vested RSU holder without cause two years after the Anniversary Date, or if the employee retires, the employee will become vested in the number of time-vested RSUs as if the time-vested RSUs vested 20% for each year after the Anniversary Date. If the employee is terminated for any reason within the first three years of the Anniversary Date, 100% of the performance-based RSUs granted will be forfeited. If we terminate the employment of a performance-based RSU holder without cause between three and five years after the Anniversary Date, or if the employee retires, the employee will become vested in 50% of the performance-based RSUs. An alternate ratable vesting schedule applies to the extent the participant ends employment by reason of death or disability.

The following is a summary of time-vested RSUs and performance-based RSUs activity for the year ended December 31, 2019:

	Time-vested RSUs		Performance-based RSUs	
	Total Number of Shares (in 000’s)	Weighted Average Grant Date Fair Value	Total Number of Shares (in 000’s)	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2019	1,500	$ 41.88	2,407	$ 45.25
Granted	405	$ 64.82	1,884	$ 65.54
Vested and settled	(96)	$ 42.34	(25)	$ 33.77
Dividend equivalents granted	38	$ —	104	$ —
Forfeited	(95)	$ 56.82	(304)	$ 54.10
Outstanding at December 31, 2019	1,752	$ 46.50	4,066	$ 53.78

The weighted-average grant date fair value of time-vested RSUs granted was $57.68 and $56.54 during 2018 and 2017, respectively. The weighted-average grant date fair value of performance-based RSUs granted was $58.49 and $55.55 during 2018 and 2017, respectively. The total fair value, determined as of the date of vesting, of RSUs vested and converted to common shares of the Company during 2019, 2018 and 2017 was $8 million, $7 million and $6 million, respectively.

Note 16. Revenue Recognition

Revenue from Contracts with Customers

We transitioned to ASC 606 from the Previous Standards on January 1, 2018 using the modified retrospective transition method. Our Financial Statements reflect the application of ASC 606 guidance beginning in 2018, while our Financial Statements for periods prior to 2018 were prepared under the guidance of the Previous Standards. Our transition to ASC 606 represented a change in accounting principle. The $250 million cumulative effect of our transition to ASC 606 is reflected as an adjustment to January 1, 2018 Shareholders' equity.

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

Contract Liabilities

Contract liabilities consist of deferred revenue resulting from initial and renewal franchise fees paid by franchisees, as well as upfront fees paid by master franchisees, which are generally recognized on a straight-line basis over the term of the underlying agreement. We classify these contract liabilities as Other liabilities, net in our consolidated balance sheets. The following table reflects the change in contract liabilities by segment and on a consolidated basis between December 31, 2018 and December 31, 2019 (in millions):

Contract Liabilities	TH	BK	PLK	Consolidated
Balance at December 31, 2018	$ 62	$ 405	$ 19	$ 486
Revenue recognized that was included in the contract liability balance at the beginning of the year	(9)	(38)	(2)	(49)
Increase, excluding amounts recognized as revenue during the period	9	86	11	106
Impact of foreign currency translation	2	(4)	—	(2)
Balance at December 31, 2019	$ 64	$ 449	$ 28	$ 541

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) by segment and on a consolidated basis as of December 31, 2019 (in millions):

Contract liabilities expected to be recognized in	TH	BK	PLK	Consolidated
2020	$ 8	$ 34	$ 2	$ 44
2021	8	33	2	43
2022	7	33	2	42
2023	7	32	2	41
2024	7	31	2	40
Thereafter	27	286	18	331
Total	$ 64	$ 449	$ 28	$ 541

Disaggregation of Total Revenues

Total revenues consist of the following (in millions):

	2019	2018	2017
Sales	$ 2,362	$ 2,355	$ 2,390
Royalties	2,319	2,165	1,215
Property revenues	833	744	765
Franchise fees and other revenue	89	93	206
Total revenues	$ 5,603	$ 5,357	$ 4,576

Financial Statement Impact of Transition to ASC 606

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

	As Reported December 31, 2017	Total Adjustments	Adjusted January 1, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,097	$ —	$ 1,097
Accounts and notes receivable, net	489	—	489
Inventories, net	78	—	78
Prepaids and other current assets	86	(23)	63
Total current assets	1,750	(23)	1,727
Property and equipment, net	2,133	—	2,133
Intangible assets, net	11,062	—	11,062
Goodwill	5,782	—	5,782
Net investment in property leased to franchisees	71	—	71
Other assets, net	426	107	533
Total assets	$ 21,224	$ 84	$ 21,308
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts and drafts payable	$ 496	$ —	$ 496
Other accrued liabilities	866	9	875
Gift card liability	215	(43)	172
Current portion of long term debt and capital leases	78	—	78
Total current liabilities	1,655	(34)	1,621
Term debt, net of current portion	11,801	—	11,801
Capital leases, net of current portion	244	—	244
Other liabilities, net	1,455	426	1,881
Deferred income taxes, net	1,508	(58)	1,450
Total liabilities	16,663	334	16,997
Shareholders' equity:			
Common shares	2,052	—	2,052
Retained earnings	651	(132)	519
Accumulated other comprehensive income (loss)	(476)	—	(476)
Total RBI shareholders' equity	2,227	(132)	2,095
Noncontrolling interests	2,334	(118)	2,216
Total shareholders' equity	4,561	(250)	4,311
Total liabilities and shareholders' equity	$ 21,224	$ 84	$ 21,308

Franchise Fees

The cumulative adjustment for franchise fees consists of the following:

- A $321 million increase in Other liabilities, net for the cumulative reversal and deferral of previously recognized franchise fees related to franchise agreements in effect at January 1, 2018 that were entered into subsequent to the acquisitions of BK in 2010, TH in 2014 and PLK in 2017 (net of the cumulative revenue attributable for the period through January 1, 2018), with a corresponding decrease to Shareholders’ equity.
- A $107 million increase in Other assets, net for the previously unrecognized value of equity interests received in connection with MFDA arrangements. This increase resulted in a corresponding increase in Other liabilities, net of $105 million and an increase to Shareholders' equity of $2 million for the cumulative effect of revenue attributable for the period between the inception of each such arrangement and January 1, 2018.
- A $67 million decrease to Deferred income taxes, net for the tax effects of the two adjustments noted above, with a corresponding increase to Shareholders' equity.

Advertising Funds

The cumulative adjustment for advertising funds reflects the recognition of cumulative advertising expenditures temporarily in excess of cumulative advertising fund contributions as of January 1, 2018, which is reflected as a $23 million decrease in Prepaids and other current assets and a $23 million decrease to Shareholders’ equity.

Gift Card Breakage

The adjustment for gift card breakage reflects the impact of the change to recognize gift card breakage proportionately as gift card balances are used rather than when it is deemed remote that the unused gift card balance would be redeemed, as done under the Previous Standards. The cumulative effect of applying ASC 606 accounting to gift card balances outstanding at January 1, 2018 is reflected as a $43 million decrease in Gift card liability, a $9 million increase in Other accrued liabilities, a $9 million increase in Deferred income taxes, net and a $25 million increase in January 1, 2018 Shareholders' equity.

Comparison to Amounts if Previous Standards Had Been in Effect

The following tables reflect the impact of adoption of ASC 606 on our consolidated statements of operations for 2018 and cash flows from operating activities for 2018 and our consolidated balance sheet as of December 31, 2018 and the amounts as if the Previous Standards were in effect ("Amounts Under Previous Standards") (in millions):

Consolidated Statement of Operations for 2018

	As Reported	Total Adjustments	Amounts Under Previous Standards
Revenues:			
Sales	$ 2,355	$ —	$ 2,355
Franchise and property revenues	3,002	(750)	2,252
Total revenues	5,357	(750)	4,607
Operating costs and expenses:			
Cost of sales	1,818	—	1,818
Franchise and property expenses	422	—	422
Selling, general and administrative expenses	1,214	(785)	429
(Income) loss from equity method investments	(22)	(6)	(28)
Other operating expenses (income), net	8	(1)	7
Total operating costs and expenses	3,440	(792)	2,648
Income from operations	1,917	42	1,959
Interest expense, net	535	1	536
Income before income taxes	1,382	41	1,423
Income tax expense	238	9	247
Net income	1,144	32	1,176
Net income attributable to noncontrolling interests	532	15	547
Net income attributable to common shareholders	$ 612	$ 17	$ 629
Earnings per common share:			
Basic	$ 2.46		$ 2.53
Diluted	$ 2.42		$ 2.49

The following summarizes the adjustments to our condensed consolidated statement of operations for 2018 to reflect our consolidated statement of operations as if we had continued to recognize revenue under the Previous Standards:

- As described above, our transition to ASC 606 resulted in the deferral of franchise fees, recognition of franchise fees in connection with MFDAs where we received an equity interest in the equity method investee, and a change in the timing of recognizing gift card breakage income. The adjustments for 2018 to reflect the recognition of this revenue as if the Previous Standards were in effect consists of a $43 million increase in Franchise and property revenue and a $11 million increase in Income tax expense.
- The adjustments to (income) loss from equity method investments for 2018 reflect the amount of losses from equity method investments we would not have recognized if the Previous Standards were in effect. There is no tax impact related to these adjustments.
- As described above, under the Previous Standards our statement of operations did not reflect gross presentations of advertising fund contributions and expenses. Our transition to ASC 606 requires the presentation of advertising fund contributions and advertising fund expenses on a gross basis. The adjustments for 2018 reflect advertising fund contributions and expenses as if the Previous Standards were in effect consist of a $793 million decrease in Franchise and property revenues, a $785 million decrease in Selling, general and administrative expenses, a $1 million decrease in Other operating expenses (income), net, a $1 million increase in Interest expense, net, and a $2 million decrease in Income tax expense.

Consolidated Statement of Cash Flows for 2018

The transition to ASC 606 had no net impact on our cash provided by operating activities and no impact on our cash used for investing activities or cash used for financing activities during 2018.

	As Reported	Total Adjustments	Amounts Under Previous Standards
Cash flows from operating activities:			
Net income	$ 1,144	$ 32	$ 1,176
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	180	—	180
Amortization of deferred financing costs and debt issuance discount	29	—	29
(Income) loss from equity method investments	(22)	(6)	(28)
Loss (gain) on remeasurement of foreign denominated transactions	(33)	—	(33)
Net (gains) losses on derivatives	(40)	—	(40)
Share-based compensation expense	48	—	48
Deferred income taxes	29	9	38
Other	5	—	5
Changes in current assets and liabilities, excluding acquisitions and dispositions:			
Accounts and notes receivable	19	—	19
Inventories and prepaids and other current assets	(7)	6	(1)
Accounts and drafts payable	41	7	48
Other accrued liabilities and gift card liability	(219)	(6)	(225)
Tenant inducements paid to franchisees	(52)	—	(52)
Other long-term assets and liabilities	43	(42)	1
Net cash provided by operating activities	$ 1,165	$ —	$ 1,165

Consolidated Balance Sheet as of December 31, 2018

	As Reported December 31, 2018	Total Adjustments	Amounts Under Previous Standards
ASSETS			
Current assets:			
Cash and cash equivalents	$ 913	$ —	$ 913
Accounts and notes receivable, net	452	—	452
Inventories, net	75	—	75
Prepaids and other current assets	60	17	77
Total current assets	1,500	17	1,517
Property and equipment, net	1,996	—	1,996
Intangible assets, net	10,463	—	10,463
Goodwill	5,486	—	5,486
Net investment in property leased to franchisees	54	—	54
Other assets, net	642	(101)	541
Total assets	$ 20,141	$ (84)	$ 20,057
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts and drafts payable	$ 513	$ 7	$ 520
Other accrued liabilities	637	(15)	622
Gift card liability	167	42	209
Current portion of long term debt and capital leases	91	—	91
Total current liabilities	1,408	34	1,442
Term debt, net of current portion	11,823	—	11,823
Capital leases, net of current portion	226	—	226
Other liabilities, net	1,547	(468)	1,079
Deferred income taxes, net	1,519	67	1,586
Total liabilities	16,523	(367)	16,156
Shareholders' equity:			
Common shares	1,737	—	1,737
Retained earnings	674	155	829
Accumulated other comprehensive income (loss)	(800)	—	(800)
Total RBI shareholders' equity	1,611	155	1,766
Noncontrolling interests	2,007	128	2,135
Total shareholders' equity	3,618	283	3,901
Total liabilities and shareholders' equity	$ 20,141	$ (84)	$ 20,057

Note 17. Other Operating Expenses (Income), net

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

	2019	2018	2017
Net losses (gains) on disposal of assets, restaurant closures and refranchisings	$ 7	$ 19	$ 29
Litigation settlements and reserves, net	2	11	2
Net losses (gains) on foreign exchange	(15)	(33)	77
Other, net	(4)	11	1
Other operating expenses (income), net	$ (10)	$ 8	$ 109

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.

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

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

Other, net during 2018 is comprised primarily of a payment in connection with the settlement of certain provisions associated with the 2017 redemption of our preferred shares as a result of changes in Treasury regulations.

Note 18. Commitments and Contingencies

Letters of Credit

As of December 31, 2019, we had $15 million in irrevocable standby letters of credit outstanding, which were issued primarily to certain insurance carriers to guarantee payments of deductibles for various insurance programs, such as health and commercial liability insurance. Of these letters of credit outstanding, $2 million are secured by the collateral under our Revolving Credit Facility and the remainder are secured by cash collateral. As of December 31, 2019, no amounts had been drawn on any of these irrevocable standby letters of credit.

Purchase Commitments

We have arrangements for information technology and telecommunication services with an aggregate contractual obligation of $18 million over the next two years, some of which have early termination fees. We also enter into commitments to purchase advertising. As of December 31, 2019, these commitments totaled $359 million and run through 2024.

Litigation

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

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

In July 2019, a class action complaint was filed against The TDL Group Corp. ("TDL"), a subsidiary of RBI, in the Supreme Court of British Columbia by Samir Latifi, individually and on behalf of all others similarly situated. The complaint alleges that TDL violated the Canadian Competition Act by incorporating an employee no-solicitation and no-hiring clause in the standard form

franchise agreement all Tim Hortons franchisees are required to sign. The plaintiff seeks damages and restitution, on behalf of himself and other members of the class.

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

On June 19, 2017, a claim was filed in the Ontario Superior Court of Justice against TDL, the Company, the Tim Hortons Ad Fund and certain individual defendants. The plaintiff, a franchisee of two Tim Hortons restaurants, seeks to certify a class of all persons who have carried on business as a Tim Hortons franchisee in Canada at any time after December 15, 2014. The claim alleges various causes of action against the defendants in relation to the purported misuse of amounts paid by members of the proposed class to the Tim Hortons Canada advertising fund (the "Ad Fund"). The plaintiff seeks to have the Ad Fund franchisee contributions held in trust for the benefit of members of the proposed class, an accounting of the Ad Fund, as well as damages for breach of contract, breach of trust, breach of the statutory duty of fair dealing, and breach of fiduciary duties.

On October 6, 2017, a claim was filed in the Ontario Superior Court of Justice against the same defendants as named above. The plaintiffs, two franchisees of Tim Hortons restaurants, seek to certify a class of all persons who have carried on business as a Tim Hortons franchisee at any time after March 8, 2017. The claim alleges various causes of action against the defendants in relation to the purported adverse treatment of member and potential member franchisees of the Great White North Franchisee Association. The plaintiffs seek damages for, among other things, breach of contract, breach of the statutory duty of fair dealing, and breach of the franchisees' statutory right of association.

In connection with these two lawsuits, the court granted our motion to strike the individuals named in the lawsuits, the Company and the Tim Hortons Ad Fund on October 22, 2018. The only defendant that remained in the lawsuits was TDL. In March 2019, the Company settled these two class action lawsuits. The court approved the settlement on April 29, 2019. Under the terms of the settlement, TDL is contributing C$6 million to the Tim Hortons Advertising Fund in Canada over two years, such amount to be spent on marketing activities. In addition, TDL has paid C$6 million for legal, administrative and other third-party expenses. These amounts were accrued by TDL during 2018.

Note 19. Segment Reporting and Geographical Information

As stated in Note 1, *Description of Business and Organization*, we manage three brands. Under the *Tim Hortons* brand, we operate in the donut/coffee/tea category of the quick service segment of the restaurant industry. Under the *Burger King* brand, we operate in the fast food hamburger restaurant category of the quick service segment of the restaurant industry. Under the *Popeyes* brand, we operate in the chicken category of the quick service segment of the restaurant industry. Our business generates revenue from the following sources: (i) franchise revenues, consisting primarily of royalties based on a percentage of sales reported by franchise restaurants and franchise fees paid by franchisees; (ii) property revenues from properties we lease or sublease to franchisees; and (iii) sales at restaurants owned by us ("Company restaurants"). In addition, our TH business generates revenue from sales to franchisees related to our supply chain operations, including manufacturing, procurement, warehousing and distribution, as well as sales to retailers.

Our management structure and financial reporting is organized around our three brands, including the information regularly reviewed by our Chief Executive Officer, who is our Chief Operating Decision Maker. Therefore, we have three operating segments: (1) TH, which includes all operations of our *Tim Hortons* brand, (2) BK, which includes all operations of our *Burger King* brand, and (3) PLK, which includes all operations of our *Popeyes* brand. Our three operating segments represent our reportable segments.

As stated in Note 16, *Revenue Recognition*, we transitioned to ASC 606 on January 1, 2018 using the modified retrospective transition method. Our Financial Statements reflect the application of ASC 606 guidance beginning in 2018, while our Financial Statements for periods prior to 2018 were prepared under the guidance of the Previous Standards. Additionally, as stated in Note 10, *Leases*, we transitioned to ASC 842 from the Previous Standard on January 1, 2019. Our Financial Statements reflect the application of ASC 842 guidance beginning in 2019, while our Financial Statements for prior periods were prepared under the guidance of the Previous Standard.

PLK revenues and segment income from the acquisition date of March 27, 2017 through December 31, 2017 are included in our consolidated statement of operations for 2017. The following tables present revenues, by segment and by country, depreciation and amortization, (income) loss from equity method investments, and capital expenditures by segment (in millions):

	2019	2018	2017
Revenues by operating segment:			
TH	$ 3,344	$ 3,292	$ 3,155
BK	1,777	1,651	1,219
PLK	482	414	202
Total	$ 5,603	$ 5,357	$ 4,576
Revenues by country (a):			
Canada	$ 3,037	$ 2,984	$ 2,832
United States	1,930	1,785	1,190
Other	636	588	554
Total	$ 5,603	$ 5,357	$ 4,576
Depreciation and amortization:			
TH	$ 112	$ 108	$ 110
BK	62	61	62
PLK	11	11	10
Total	$ 185	$ 180	$ 182
(Income) loss from equity method investments:			
TH	$ (7)	$ (6)	$ (8)
BK	(4)	(16)	(4)
Total	$ (11)	$ (22)	$ (12)
Capital expenditures:			
TH	$ 37	$ 59	$ 13
BK	20	25	23
PLK	5	2	1
Total	$ 62	$ 86	$ 37

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

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

	Assets		Long-Lived Assets	
	As of December 31,		As of December 31,	
	2019	2018	2019	2018
By operating segment:				
TH	$ 13,894	$ 12,666	$ 1,972	$ 1,226
BK	5,149	4,514	1,130	729
PLK	2,490	2,420	129	95
Unallocated	827	541	—	—
Total	$ 22,360	$ 20,141	$ 3,231	$ 2,050
By country:				
Canada			$ 1,665	$ 945

United States	1,542	1,098
Other	24	7
Total	$ 3,231	$ 2,050

Long-lived assets include property and equipment, net, finance and operating lease right of use assets, net and net investment in property leased to franchisees. Only Canada and the United States represented 10% or more of our total long-lived assets as of December 31, 2019 and December 31, 2018.

Our measure of segment income is Adjusted EBITDA. Adjusted EBITDA represents earnings (net income or loss) before interest expense, net, loss on early extinguishment of debt, income tax expense (benefit), and depreciation and amortization, adjusted to exclude the non-cash impact of share-based compensation and non-cash incentive compensation expense and (income) loss from equity method investments, net of cash distributions received from equity method investments, as well as other operating expenses (income), net. Other specifically identified costs associated with non-recurring projects are also excluded from Adjusted EBITDA, including fees and expenses associated with the Popeyes Acquisition ("PLK Transaction costs"), Corporate restructuring and tax advisory fees related to the interpretation and implementation of the Tax Act, including Treasury regulations proposed in late 2018, and non-operational Office centralization and relocation costs in connection with the centralization and relocation of our Canadian and U.S. restaurant support centers to new offices in Toronto, Ontario, and Miami, Florida, respectively. Adjusted EBITDA is used by management to measure operating performance of the business, excluding these non-cash and other specifically identified items that management believes are not relevant to management's assessment of operating performance or the performance of an acquired business. A reconciliation of segment income to net income (loss) consists of the following (in millions):

	2019	2018	2017
Segment income:			
TH	$ 1,122	$ 1,127	$ 1,136
BK	994	928	903
PLK	188	157	107
Adjusted EBITDA	2,304	2,212	2,146
Share-based compensation and non-cash incentive compensation expense	74	55	55
PLK Transaction costs	—	10	62
Corporate restructuring and tax advisory fees	31	25	2
Office centralization and relocation costs	6	20	—
Impact of equity method investments (a)	11	(3)	1
Other operating expenses (income), net	(10)	8	109
EBITDA	2,192	2,097	1,917
Depreciation and amortization	185	180	182
Income from operations	2,007	1,917	1,735
Interest expense, net	532	535	512
Loss on early extinguishment of debt	23	—	122
Income tax expense (benefit)	341	238	(134)
Net income	$ 1,111	$ 1,144	$ 1,235

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

Note 20. Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data (in millions, except per share data) was as follows:

	Quarters Ended							
	March 31,		June 30,		September 30,		December 31,	
	2019	2018	2019	2018	2019	2018	2019	2018
Total revenues	$ 1,266	$ 1,254	$ 1,400	$ 1,343	$ 1,458	$ 1,375	$ 1,479	$ 1,385
Income from operations	$ 434	$ 421	$ 491	$ 502	$ 571	$ 478	$ 511	$ 516
Net income	$ 246	$ 279	$ 257	$ 314	$ 351	$ 250	$ 257	$ 301
Basic earnings per share	$ 0.53	$ 0.60	$ 0.56	$ 0.67	$ 0.76	$ 0.53	$ 0.55	$ 0.65
Diluted earnings per share	$ 0.53	$ 0.59	$ 0.55	$ 0.66	$ 0.75	$ 0.53	$ 0.54	$ 0.64

Note 21. Subsequent Events

Dividends

On January 3, 2020, we paid a cash dividend of $0.50 per common share to common shareholders of record on December 17, 2019. On such date, Partnership also made a distribution in respect of each Partnership exchangeable unit in the amount of $0.50 per exchangeable unit to holders of record on December 17, 2019.

On February 10, 2020, we announced that the board of directors had declared a cash dividend of $0.52 per common share for the first quarter of 2020. The dividend will be paid on April 3, 2020 to common shareholders of record on March 16, 2020. Partnership will also make a distribution in respect of each Partnership exchangeable unit in the amount of $0.52 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.

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

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

An evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15e under the Exchange Act) as of December 31, 2019. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of such date.

Internal Control over Financial Reporting

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

Management's Report on Internal Control over Financial Reporting

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

Part III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this Item, other than the information regarding our executive officers set forth under the heading "Executive Officers of the Registrant" in Part I of this Form 10-K, required by Item 401 of Regulation S-K, is incorporated herein by reference from the Company's definitive proxy statement to be filed no later than 120 days after December 31, 2019. We refer to this proxy statement as the Definitive Proxy Statement.

Item 11. ***Executive Compensation***

The information required by this item will be contained in the Definitive Proxy Statement and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item, other than the information regarding our equity plans set forth below required by Item 201(d) of Regulation S-K, will be contained in the Definitive Proxy Statement and is incorporated herein by reference.

Securities Authorized for Issuance under Equity Compensation Plans

Information regarding equity awards outstanding under our compensation plans as of December 31, 2019 was as follows (amounts in thousands, except per share data):

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights[(1)]	(c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Security Holders	15,576	$ 45.29	14,148
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	15,576	$ 45.29	14,148

(1) The weighted average exercise price does not take into account the common shares issuable upon outstanding RSUs vesting, which have no exercise price.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item will be contained in the Definitive Proxy Statement and is incorporated herein by reference.

Item 14. *Principal Accounting Fees and Services*

The information required by this item will be contained in the Definitive Proxy Statement and is incorporated herein by reference.

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Part IV

Item 15. *Exhibits and Financial Statement Schedules*

(a)(1) All Financial Statements

Consolidated financial statements filed as part of this report are listed under Part II, Item 8 of this Form 10-K.

(a)(2) Financial Statement Schedules

No schedules are required because either the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

(a)(3) Exhibits

The following exhibits are filed as part of this report.

Exhibit Number	Description	Incorporated by Reference
2.3	Arrangement Agreement and Plan of Merger, dated August 26, 2014, by and among Burger King Worldwide, Inc., 1011773 B.C. Unlimited Liability Company, New Red Canada Partnership, Blue Merger Sub, Inc., 8997900 Canada Inc., and Tim Hortons Inc.	Incorporated herein by reference to Exhibit 2.1 to the Form 8-K of Burger King Worldwide, Inc. filed on August 29, 2014.
2.4	Plan of Arrangement under Section 192 of the Canada Business Corporations Act.	Incorporated herein by reference to Exhibit 2.2 to the Form 8-K of Registrant filed on December 12, 2014.
2.5	Agreement and Plan of Merger, dated as of February 21, 2017, by and among Restaurant Brands International Inc., Popeyes Louisiana Kitchen, Inc., Orange, Inc., and, solely for purposes of Section 9.03 of the Agreement and Plan of Merger, Restaurant Brands Holdings Corporation.	Incorporated herein by reference to Exhibit 2.1 to the Form 8-K of Registrant filed on February 22, 2017.
3.1	Articles of Incorporation of the Registrant, as amended.	Incorporated herein by reference to Exhibit 3.1 to the Form 10-K of Registrant filed on March 2, 2015.
3.2	Amended and Restated By-Law 1 of the Registrant.	Incorporated herein by reference to Exhibit 3.4 to the Form 8-K of Registrant filed on December 12, 2014.
4.1	Description of Share Capital	Filed herewith.
4.2	Registration Rights Agreement between Burger King Worldwide, Inc. and 3G Special Situations Fund II, L.P.	Incorporated herein by reference to Exhibit 4.3 to the Form S-8 of Burger King Worldwide, Inc. (File No. 333-182232).
4.3	Registration Rights Agreement between Burger King Worldwide Inc., Pershing Square, L.P., Pershing Square II, L.P., Pershing Square International, Ltd. and William Ackman.	Incorporated herein by reference to Exhibit 4.4 to the Form S-8 of Burger King Worldwide, Inc. (File No. 333-182232).
4.9	Registration Rights Agreement dated as of December 12, 2014 by and among Restaurant Brands International Inc. and National Indemnity Company.	Incorporated herein by reference to Exhibit 4.9 to the Form 10-K of Registrant filed on February 26, 2016.
4.10	Indenture, dated as of May 17, 2017, by and among 1011778 B.C. Unlimited Liability Company, as issuer, New Red Finance, Inc., as co-issuer, the guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee and as collateral agent.	Incorporated herein by reference to Exhibit 4.10 to the Form 8-K of Registrant filed on May 17, 2017.

4.10(a)	Form of 4.250% First Lien Senior Secured Note due 2024 (included as Exhibit A to Exhibit 4.10).	Incorporated herein by reference to Exhibit 4.10 to the Form 8-K of Registrant filed on May 17, 2017.

4.11	Indenture, dated as of August 28, 2017, by and among 1011778 B.C. Unlimited Liability Company, as issuer, New Red Finance, Inc., as co-issuer, the guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee and as collateral agent.	Incorporated herein by reference to Exhibit 4.11 to the Form 8-K of Registrant filed on August 28, 2017.
4.11(a)	Form of 5.000% Second Lien Senior Secured Note due 2025 (included as Exhibit A to Exhibit 4.11).	Incorporated herein by reference to Exhibit 4.11(a) to the Form 8-K of Registrant filed on August 28, 2017.
4.12	First Supplemental Indenture, dated as of October 4, 2017, by and among 1011778 B.C. Unlimited Liability Company, as issuer, New Red Finance, Inc., as co-issuer, the guarantors party thereto and Wilmington Trust, National Association, as trustee and as collateral agent.	Incorporated herein by reference to Exhibit 4.12 to the Form 8-K of Registrant filed on October 4, 2017.
4.13	Indenture, dated as of September 24, 2019, by and among 1011778 B.C. Unlimited Liability Company, as issuer, New Red Finance, Inc., as co-issuer, the guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee and as collateral agent.	Incorporated herein by reference to Exhibit 4.13 to the Form 8-K of Registrant filed on September 24, 2019.
4.13(a)	Form of 3.875% First Lien Senior Secured Note due 2028 (included as Exhibit A to Exhibit 4.13).	Incorporated herein by reference to Exhibit 4.13(a) to the Form 8-K of Registrant filed on September 24, 2019.
4.14	Indenture, dated as of November 19, 2019, by and among 1011778 B.C. Unlimited Liability Company, as issuer, New Red Finance, Inc., as co-issuer, the guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee and as collateral agent.	Incorporated herein by reference to Exhibit 4.14 to the Form 8-K of Registrant filed on November 20, 2019.
4.14(a)	Form of 4.375% Second Lien Senior Secured Note due 2028 (included as Exhibit A to Exhibit 4.14).	Incorporated herein by reference to Exhibit 4.14(a) to the Form 8-K of Registrant filed on November 20, 2019.
9.1	Voting Trust Agreement, dated December 12, 2014, between Restaurant Brands International Inc., Restaurant Brands International Limited Partnership, and Computershare Trust Company of Canada.	Incorporated herein by reference to Exhibit 3.6 to the Form 8-K of Registrant filed on December 12, 2014.
10.1*	Burger King Savings Plan, including all amendments thereto.	Incorporated herein by reference to Exhibit 10.40 to the Form S-8 of Burger King Holdings, Inc. (File No. 333-144592).
10.2(a)*	2011 Omnibus Incentive Plan, as amended effective December 12, 2014.	Incorporated herein by reference to Exhibit 99.4 to the Form S-8 of Registrant (File No. 333-200997).
10.2(b)*	Form of Option Award Agreement under the Burger King Worldwide Holdings, Inc. 2011 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.77 to the Form 10-Q of Burger King Holdings, Inc. filed on May 12, 2011.
10.4(a)*	Amended and Restated 2012 Omnibus Incentive Plan, as amended effective December 12, 2014.	Incorporated herein by reference to Exhibit 99.2 to the Form S-8 of Registrant (File No. 333-200997).
10.4(b)*	Form of Option Award Agreement under the Burger King Worldwide, Inc. 2012 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.25 to the Form 10-K of Burger King Worldwide, Inc. filed on February 22, 2013.
10.4(c)*	Form of Matching Option Award Agreement under the Burger King Worldwide, Inc. 2012 Omnibus Incentive	Incorporated herein by reference to Exhibit 10.26 to the Form 10-K of Burger King Worldwide, Inc. filed

	Plan.	on February 22, 2013.
10.4(d)*	Form of Amendment to Option Award Agreement under the Burger King Worldwide Holdings, Inc. 2011 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.28 to the Form 10-Q of Burger King Worldwide, Inc. filed on April 26, 2013.

10.4(e)*	Form of Option Award Agreement under the Burger King Worldwide, Inc. Amended and Restated 2012 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.29 to the Form 10-Q of Burger King Worldwide, Inc. filed on July 31, 2013.
10.4(f)*	Form of Board Member Option Award Agreement under the Burger King Worldwide, Inc. Amended and Restated 2012 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.30 to the Form 10-Q of Burger King Worldwide, Inc. filed on July 31, 2013.
10.4(g)*	Form of Option Award Agreement under the Amended and Restated 2012 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.32 to the Form 10-Q of Burger King Worldwide, Inc. filed on October 28, 2013.
10.4(h)*	Form of Board Member Option Award Agreement under the Amended and Restated 2012 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.33 to the Form 10-Q of Burger King Worldwide, Inc. filed on October 28, 2013.
10.4(i)*	Form of Board Member Restricted Stock Unit Award Agreement under the Amended and Restated 2012 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.35 to the Form 10-K of Burger King Worldwide, Inc. filed on February 21, 2014.
10.4(j)*	Form of Matching Option Award Agreement under the Amended and Restated 2012 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.36 to the Form 10-K of Burger King Worldwide, Inc. filed on February 21, 2014.
10.5	Burger King Form of Director Indemnification Agreement.	Incorporated herein by reference to Exhibit 10.1 to the Form 8-K of Burger King Worldwide, Inc. filed on June 25, 2012.
10.7*	Burger King Corporation U.S. Severance Pay Plan.	Incorporated herein by reference Exhibit 10.31 to the Form 10-Q of Burger King Worldwide, Inc. filed on October 28, 2013.
10.10(a)	Credit Agreement, dated October 27, 2014, among 1011778 B.C. Unlimited Liability Company, as the Parent Borrower, New Red Finance, Inc., as the Subsidiary Borrower, 1013421 B.C. Unlimited Liability Company, as Holdings, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, the Lenders Party thereto, Wells Fargo Bank, National Association, as Syndication Agent, the Parties listed thereto as Co-Documentation Agents, J.P. Morgan Securities LLC, and Wells Fargo Securities LLC, as Joint Lead Arrangers, and J.P. Morgan Securities LLC, Wells Fargo Securities LLC, and Merrill Lynch, Pierce, Fenner and Smith, Incorporated, as Joint Book Runners (the “Credit Agreement”).	Incorporated herein by reference to Exhibit 4.2 to the Form S-4 of Registrant (File No. 333-198769).
10.10(b)	Guaranty, dated December 12, 2014, among 1013421 B.C. Unlimited Liability Company, as Guarantor, Certain Subsidiaries defined therein, as Guarantors, and JPMorgan Chase Bank, N.A., as Collateral Agent.	Incorporated herein by reference to Exhibit 10.2 to the Form 8-K of Registrant filed on December 12, 2014.
10.10(c)	Amendment No. 1, dated May 22, 2015, to the Credit Agreement.	Incorporated herein by reference to Exhibit 10.1 to the Form 8-K of Registrant filed on May 26, 2015.
10.10(d)	Amendment No. 2, dated February 17, 2017, to the Credit Agreement.	Incorporated herein by reference to Exhibit 10.10(d) to the Form 10-Q of Registrant filed on October 26, 2017.
10.10(e)	Incremental Facility Amendment, dated as of March 27, 2017, to the Credit Agreement.	Incorporated herein by reference to Exhibit 10.10(e) to the Form 10-Q of Registrant filed on October 26, 2017.

10.10(f)	Incremental Facility Amendment No. 2, dated as of May 17, 2017, to the Credit Agreement.	Incorporated herein by reference to Exhibit 10.42 to the Form 8-K of Registrant filed on May 17, 2017.
10.10(g)	Incremental Facility Amendment No. 3, dated as of October 13, 2017, to the Credit Agreement.	Incorporated herein by reference to Exhibit 10.45 to the Form 8-K of Registrant filed on October 16, 2017.

10.10(h)	Amendment No. 3, dated October 2, 2018, to the Credit Agreement.	Incorporated herein by reference to Exhibit 10.10(h) to the Form 10-Q of Registrant filed on October 24, 2018.
10.10(i)	Incremental Facility Amendment No. 4, dated as of September 6, 2019, to the Credit Agreement, dated October 27, 2014, by and among 1011778 B.C. Unlimited Liability Company, as parent borrower, New Red Finance, Inc., as subsidiary borrower, 1013421 B.C. Unlimited Liability Company, the other guarantors party thereto, JPMorgan Chase Bank, N.A., as administrative agent, collateral agent and swing line lender, and the other lenders party thereto.	Incorporated herein by reference to Exhibit 10.66 to the Form 8-K of Registrant filed on September 9, 2019.
10.10(j)	Amendment No. 4, dated as of November 19, 2019, to the Credit Agreement, dated October 27, 2014, by and among 1011778 B.C. Unlimited Liability Company, as parent borrower, New Red Finance, Inc., as subsidiary borrower, 1013421 B.C. Unlimited Liability Company, the other guarantors party thereto, JPMorgan Chase Bank, N.A., as administrative agent, collateral agent and swing line lender, and the other lenders party thereto.	Incorporated herein by reference to Exhibit 10.68 to the Form 8-K of Registrant filed on November 20, 2019.
10.11(a)*	2014 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 99.1 to the Form S-8 of Registrant (File No. 333-200997).
10.11(b)*	Form of Option Award Agreement under the 2014 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.11(b) to the Form 10-K of Registrant filed on March 2, 2015.
10.11(c)*	Form of Base Matching Option Award Agreement under the 2014 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.11(c) to the Form 10-K of Registrant filed on March 2, 2015.
10.11(d)*	Form of Additional Matching Option Award Agreement under the 2014 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.11(d) to the Form 10-K of Registrant filed on March 2, 2015.
10.11(e)*	Form of Board Member Option Award Agreement under the 2014 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.11(e) to the Form 10-K of Registrant filed on March 2, 2015.
10.11(f)*	Form of Board Member Restricted Stock Unit Award Agreement under the 2014 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.11(f) to the Form 10-K of Registrant filed on March 2, 2015.
10.12	Amended and Restated Limited Partnership Agreement, dated December 11, 2014, between Restaurant Brands International Inc., 8997896 Canada Inc. and each person who is admitted as a Limited Partner in accordance with the terms of the agreement.	Incorporated herein by reference to Exhibit 3.5 to the Form 8-K of Registrant filed on December 12, 2014.
10.13	Restaurant Brands International Inc. Form of Director Indemnification Agreement.	Incorporated herein by reference to Exhibit 10.13 to the Form 10-K of Registrant filed on March 2, 2015.
10.14*	Consulting Agreement, dated December 15, 2014, between Restaurant Brands International Inc. and Marc Caira.	Incorporated herein by reference to Exhibit 10.14 to the Form 10-K of Registrant filed on March 2, 2015.
10.15	Tim Hortons Inc. Form of Indemnification Agreement for directors, officers and others, as applicable.	Incorporated herein by reference to Exhibit 10.2 to the Form 8-K of Tim Hortons Inc. filed on September 28, 2009.

10.16(c)*	Tim Hortons Inc. Form of Nonqualified Stock Option Award Agreement under the 2006 Stock Incentive Plan (2011 Award).	Incorporated herein by reference to Exhibit 10(b) to the Form 10-Q of Tim Hortons Inc. filed on August 11, 2011.
10.17(a)*	2012 Stock Incentive Plan, as amended effective December 12, 2014.	Incorporated herein by reference to Exhibit 99.3 to the Form S-8 of Registrant (File No. 333-200997).
10.17(b)*	Tim Hortons Inc. Form of Nonqualified Stock Option Award Agreement under the 2012 Stock Incentive Plan (2012 Award).	Incorporated herein by reference to Exhibit 10(c) to the Form 10-Q of Tim Hortons Inc. filed on August 9, 2012.

10.17(c)*	Tim Hortons Inc. Form of Nonqualified Stock Option Award Agreement under the 2012 Stock Incentive Plan (2013 Award).	Incorporated herein by reference to Exhibit 10(c) to the Form 10-Q of Tim Hortons Inc. filed on May 8, 2013.
10.17(d)*	Tim Hortons Inc. Form of Nonqualified Stock Option Award Agreement under the 2012 Stock Incentive Plan (2014 Award).	Incorporated herein by reference to Exhibit 10(c) to the Form 10-Q of Tim Hortons Inc. filed on August 6, 2014.
10.18*	Tim Hortons Inc. Nonqualified Stock Option Award Agreement, dated August 13, 2013, between Tim Hortons Inc. and Marc Caira.	Incorporated herein by reference to Exhibit 10(a) to the Form 10-Q of Tim Hortons Inc. filed on November 7, 2013.
10.22*	Employment and Post-Covenants Agreement dated as of February 3, 2015 between Restaurant Brands International Inc. and Joshua Kobza.	Incorporated herein by reference to Exhibit 10.22 to the Form 10-Q of Registrant filed on May 5, 2015.
10.23*	Employment and Post-Covenants Agreement dated as of February 3, 2015 between Burger King Corporation and Joshua Kobza.	Incorporated herein by reference to Exhibit 10.23 to the Form 10-Q of Registrant filed on May 5, 2015.
10.24*	Employment and Post-Covenants Agreement dated as of February 3, 2015 between The TDL Group Corp. and Joshua Kobza.	Incorporated herein by reference to Exhibit 10.24 to the Form 10-Q of Registrant filed on May 5, 2015.
10.32*	Form of Non-Compete, Non-Solicitation and Confidentiality Agreement.	Incorporated herein by reference to Exhibit 10.32 to the Form 10-Q of Registrant filed on October 30, 2015.
10.33*	Restaurant Brands International Inc. 2015 Employee Share Purchase Plan.	Incorporated herein by reference to Exhibit 10.30 to the Form S-8 of Registrant filed on September 1, 2015.
10.35(a)*	Form of Base Matching Restricted Stock Unit Award Agreement under the 2014 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.35(a) to the Form 10-Q of Registrant filed on April 29, 2016.
10.35(b)*	Form of Additional Matching Restricted Stock Unit Award Agreement under the 2014 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.35(b) to the Form 10-Q of Registrant filed on April 29, 2016.
10.35(c)*	Form of Performance Award Agreement under the 2014 Omnibus Incentive Plan	Incorporated herein by reference to Exhibit 10.35(c) to the Form 10-Q of Registrant filed on April 29, 2016.
10.35(d)*	Form of Stock Option Award Agreement under the 2014 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.35(d) to the Form 10-Q of Registrant filed on April 29, 2016.
10.36*	Restaurant Brands International Inc. Amended and Restated 2014 Omnibus Incentive Plan, as amended.	Incorporated herein by reference to Exhibit 10.36 to the Form 10-Q of Registrant filed on August 1, 2018.
10.37*	Form of Restaurant Brands International Inc. Board Member Stock Option Award Agreement under the Amended and Restated 2014 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.37 to the Form 10-Q of Registrant filed on October 24, 2016.
10.38*	Restaurant Brands International Inc. U.S. Severance Pay Plan.	Incorporated herein by reference to Exhibit 10.38 to the Form 10-K of Registrant filed on February 17, 2017.
10.40*	Amendment No. 1 to Restaurant Brands International Inc. Amended and Restated 2014 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.39 to the Form 10-Q of Registrant filed on April 26, 2017.
10.41*	Form of Base Matching Restricted Stock Unit Award Agreement under the Amended and Restated 2014	Incorporated herein by reference to Exhibit 10.40 to the Form 10-Q of Registrant filed on April 26, 2017.

	Omnibus Incentive Plan.	
10.42*	Form of Additional Matching Restricted Stock Unit Award Agreement under the Amended and Restated 2014 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.41 to the Form 10-Q of Registrant filed on April 26, 2017.
10.48*	Annual Bonus Program Plan Document	Incorporated herein by reference to Exhibit 10.48 to the Form 10-Q of Registrant filed April 24, 2018.
10.49(a)*	Employment and Post-Employment Covenants Agreement dated as of February 9, 2015 by and between The TDL Group Corp. and Jill Granat.	Incorporated herein by reference to Exhibit 10.49(a) to the Form 10-Q of Registrant filed April 24, 2018.

10.49(b)*	Employment and Post-Employment Covenants Agreement dated as of February 9, 2015 by and between Restaurant Brands International Inc. and Jill Granat.	Incorporated herein by reference to Exhibit 10.49(b) to the Form 10-Q of Registrant filed April 24, 2018.
10.49(c)*	Employment and Post-Employment Covenants Agreement dated as of February 9, 2015 by and between Burger King Corporation and Jill Granat.	Incorporated herein by reference to Exhibit 10.49(c) to the Form 10-Q of Registrant filed April 24, 2018.
10.50*	Employment and Post-Employment Covenants Agreement dated as of January 22, 2018 by and between The TDL Group Corp. and Matthew Dunnigan.	Incorporated herein by reference to Exhibit 10.50 to the Form 10-Q of Registrant filed on April 29, 2019.
10.51*	Employment and Post-Employment Covenants Agreement dated as of January 22, 2018 by and between Restaurant Brands International Inc. and Matthew Dunnigan.	Incorporated herein by reference to Exhibit 10.51 to the Form 10-Q of Registrant filed on April 29, 2019.
10.52*	Employment and Post-Employment Covenants Agreement dated as of January 22, 2018 by and between Restaurant Brands International U.S. Services LLC and Matthew Dunnigan.	Incorporated herein by reference to Exhibit 10.52 to the Form 10-Q of Registrant filed on April 29, 2019.
10.53*	Employment and Post-Employment Covenants Agreement dated as of January 23, 2019 by and between The TDL Group Corp. and Jose E. Cil.	Incorporated herein by reference to Exhibit 10.53 to the Form 10-Q of Registrant filed on April 29, 2019.
10.54*	Employment and Post-Employment Covenants Agreement dated as of January 23, 2019 by and between Restaurant Brands International Inc. and Jose E. Cil.	Incorporated herein by reference to Exhibit 10.54 to the Form 10-Q of Registrant filed on April 29, 2019.
10.55*	Employment and Post-Employment Covenants Agreement dated as of January 23, 2019 by and between Burger King Corporation and Jose E. Cil.	Incorporated herein by reference to Exhibit 10.55 to the Form 10-Q of Registrant filed on April 29, 2019.
10.59*	Amendment dated January 23, 2019 to Employment and Post-Covenants Agreement dated as of February 9, 2015 between Restaurant Brands International Inc. and Joshua Kobza.	Incorporated herein by reference to Exhibit 10.59 to the Form 10-Q of Registrant filed on April 29, 2019.
10.60*	Amendment dated January 23, 2019 to Employment and Post-Covenants Agreement dated as of February 9, 2015 between Burger King Corporation and Joshua Kobza.	Incorporated herein by reference to Exhibit 10.60 to the Form 10-Q of Registrant filed on April 29, 2019.
10.61*	Amendment dated January 23, 2019 to Employment and Post-Covenants Agreement dated as of February 9, 2015 between The TDL Group Corp. and Joshua Kobza.	Incorporated herein by reference to Exhibit 10.61 to the Form 10-Q of Registrant filed on April 29, 2019.
10.62*	Form of Performance Award Agreement under Amended and Restated 2014 Omnibus Incentive Plan.	Incorporated herein by reference to Exhibit 10.62 to the Form 10-Q of Registrant filed on April 29, 2019.
10.63*	Amended and Restated Performance Award Agreement dated as of May 17, 2019 by and between Restaurant Brands International Inc. and Daniel Schwartz.	Incorporated herein by reference to Exhibit 10.63 to the Form 10-Q of Registrant filed on August 2, 2019.
10.64*	Form of Amended and Restated Base Matching Restricted Stock Unit Award Agreement dated as of May 17, 2019 by and between Restaurant Brands International Inc. and Daniel Schwartz.	Incorporated herein by reference to Exhibit 10.64 to the Form 10-Q of Registrant filed on August 2, 2019.

10.65*	Form of Amended and Restated Additional Matching Restricted Stock Unit Award Agreement dated as of May 17, 2019 by and between Restaurant Brands International Inc. and Daniel Schwartz.	Incorporated herein by reference to Exhibit 10.65 to the Form 10-Q of Registrant filed on August 2, 2019.

10.66	Incremental Facility Amendment No. 4, dated as of September 6, 2019, to the Credit Agreement, dated October 7, 2014, by and among 1011778 B.C. Unlimited Liability Company, as parent borrower, New Red Finance, Inc., as subsidiary borrower, 1013421 B.C. Unlimited Liability Company, the other guarantors party thereto, JPMorgan Chase Bank, N.A., as administrative agent, collateral agent and swing line lender, and the other lenders party thereto.	Incorporated herein by reference to Exhibit 10.66 to the Form 8-K of Registrant filed on September 6, 2019.
10.67	Purchase Agreement, dated as of September 6, 2019, among Morgan Stanley & Co. LLC, as representative of the Initial Purchasers (as defined therein), the Issuers (as defined therein) and the Guarantors (as defined therein).	Incorporated herein by reference to Exhibit 10.67 to the Form 10-Q of Registrant filed on October 28, 2019.
10.68	Amendment No. 4, dated as of November 19, 2019, to the Credit Agreement, dated October 27, 2014, by and among 1011778 B.C. Unlimited Liability Company, as parent borrower, New Red Finance, Inc., as subsidiary borrower, 1013421 B.C. Unlimited Liability Company, the other guarantors party thereto, JPMorgan Chase Bank, N.A., as administrative agent, collateral agent and swing line lender, and the other lenders party thereto.	Incorporated herein by reference to Exhibit 10.68 to the Form 8-K of Registrant filed on November 19, 2019.
10.69	Purchase Agreement, dated as of November 14, 2019, among Morgan Stanley & Co. LLC, as representative of the Initial Purchasers (as defined therein), the Issuers (as defined therein) and the Guarantors (as defined therein).	Filed herewith.
10.70*	Agreement, dated as of December 27, 2019, between The TDL Group Corp. and Alexandre Macedo.	Filed herewith.
21.1	List of Subsidiaries of the Registrant.	Filed herewith.
23.1	Consent of KPMG LLP.	Filed herewith.
31.1	Certification of Chief Executive Officer of Restaurant Brands International Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer of Restaurant Brands International Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of Chief Executive Officer of Restaurant Brands International Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
32.2	Certification of Chief Financial Officer of Restaurant Brands International Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document.	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith.

101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith.

101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith.
104	Cover Page Interactive File	Formatted as Inline XBRL and contained in Exhibit 101.

* Management contract or compensatory plan or arrangement.

Certain instruments relating to long-term borrowings, constituting less than 10 percent of the total assets of the Registrant and its subsidiaries on a consolidated basis, are not filed as exhibits herewith pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. The Registrant agrees to furnish copies of such instruments to the SEC upon request.

Item 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Restaurant Brands International Inc.

By: /s/ José E. Cil

Name: José E. Cil

Title: Chief Executive Officer

Date: February 21, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ José E. Cil José E. Cil	Chief Executive Officer (principal executive officer)	February 21, 2020
/s/ Matthew Dunnigan Matthew Dunnigan	Chief Financial Officer (principal financial officer)	February 21, 2020
/s/ Jacqueline Friesner Jacqueline Friesner	Controller and Chief Accounting Officer (principal accounting officer)	February 21, 2020
/s/ Alexandre Behring Alexandre Behring	Co-Chairman	February 21, 2020
/s/ Daniel Schwartz Daniel Schwartz	Co-Chairman	February 21, 2020
/s/ Marc Caira Marc Caira	Vice Chairman	February 21, 2020
/s/ Paul J. Fribourg Paul J. Fribourg	Director	February 21, 2020
/s/ Neil Golden Neil Golden	Director	February 21, 2020
/s/ Ali Hedayat Ali Hedayat	Director	February 21, 2020
/s/ Golnar Khosrowshahi Golnar Khosrowshahi	Director	February 21, 2020
/s/ Carlos Alberto Sicupira Carlos Alberto Sicupira	Director	February 21, 2020
/s/ Joao M. Castro-Neves Joao M. Castro-Neves	Director	February 21, 2020
/s/ Roberto Thompson Motta Roberto Thompson Motta	Director	February 21, 2020
/s/ Alexandre Van Damme Alexandre Van Damme	Director	February 21, 2020