

Restaurant Brands International Inc.
Form 10-Q
April 29, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

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

For the transition period from _____ to _____

Commission file number: 001-36786

RESTAURANT BRANDS INTERNATIONAL INC.
(Exact Name of Registrant as Specified in its Charter)

Canada 98-1202754
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

130 King Street West, Suite 300 M5X 1E1
Toronto, Ontario (Address of Principal Executive Offices) (Zip Code)
(905) 845-6511
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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

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

As of April 22, 2019, there were 253,893,826 common shares of the Registrant outstanding.

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PART I — Financial Information

Item 1. Financial Statements

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

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

(Unaudited)

	As of	
	March 31,	December 31,
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$902	\$ 913
Accounts and notes receivable, net of allowance of \$14 and \$14, respectively	441	452
Inventories, net	74	75
Prepays and other current assets	63	60
Total current assets	1,480	1,500
Property and equipment, net of accumulated depreciation and amortization of \$645 and \$704, respectively	2,011	1,996
Operating lease assets	1,148	—
Intangible assets, net	10,427	10,463
Goodwill	5,555	5,486
Net investment in property leased to franchisees	50	54
Other assets, net	622	642
Total assets	\$21,293	\$ 20,141
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts and drafts payable	\$451	\$ 513
Other accrued liabilities	689	637
Gift card liability	112	167
Current portion of long term debt and finance leases	94	91
Total current liabilities	1,346	1,408
Term debt, net of current portion	11,747	11,823
Finance leases, net of current portion	287	226
Operating lease liabilities, net of current portion	1,046	—
Other liabilities, net	1,531	1,547
Deferred income taxes, net	1,563	1,519
Total liabilities	17,520	16,523
Shareholders' equity:		
Common shares, no par value; unlimited shares authorized at March 31, 2019 and December 31, 2018; 253,828,112 shares issued and outstanding at March 31, 2019; 251,532,493 shares issued and outstanding at December 31, 2018	1,812	1,737
Retained earnings	692	674
Accumulated other comprehensive income (loss)	(775) (800
Total Restaurant Brands International Inc. shareholders' equity	1,729	1,611
Noncontrolling interests	2,044	2,007
Total shareholders' equity	3,773	3,618
Total liabilities and shareholders' equity	\$21,293	\$ 20,141

See accompanying notes to condensed consolidated financial statements.

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RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

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

(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Revenues:		
Sales	\$522	\$548
Franchise and property revenues	744	706
Total revenues	1,266	1,254
Operating costs and expenses:		
Cost of sales	406	429
Franchise and property expenses	133	104
Selling, general and administrative expenses	312	301
(Income) loss from equity method investments	(2)	(14)
Other operating expenses (income), net	(17)	13
Total operating costs and expenses	832	833
Income from operations	434	421
Interest expense, net	132	140
Income before income taxes	302	281
Income tax expense	56	2
Net income	246	279
Net income attributable to noncontrolling interests (Note 12)	111	131
Net income attributable to common shareholders	\$135	\$148
Earnings per common share		
Basic	\$0.53	\$0.60
Diluted	\$0.53	\$0.59
Weighted average shares outstanding		
Basic	252	&#